

# FINANCIAL TIMES

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D 8523 B

West Europeans try  
for harmony  
on defence, Page 2

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## NEWS SUMMARY

### GENERAL

#### Israelis seek total Lebanon pull-out

Israel's Cabinet decided yesterday to seek a complete rather than partial withdrawal of its forces from southern Lebanon and said it would "welcome any effort by the British or others to help resolve the problem of Lebanon."

The decision came during a visit by British Foreign Secretary Sir Geoffrey Howe to Lebanon, where he had talks with President Amin Gemayel about an Israeli withdrawal. Sir Geoffrey later arrived in Israel for talks with the Prime Minister Mr Shimon Peres, and other senior officials.

Egyptian President Hosni Mubarak leaves for France and West Germany today seeking to persuade Europe to take a more active role in reaching a Middle East peace settlement. Page 18

### BUSINESS

#### U.S. steel groups show setback

U.S. STEEL company results show a sharp deterioration from the gains made in the first half of the year, with import penetration and price discounting cutting into volume and margins briefly boosted by economic recovery. I.T.V. the latest to announce third-quarter results, is omitting its final quarter dividend after increased losses of \$79.8m against \$49.7m a year earlier. Page 16

#### TOKYO stocks turned marginally lower on Saturday as investors appeared discouraged by further weakness on Wall Street. The Nikkei-Dow market average was 4,077 off at 11,150.95.

#### BELGIAN FRANC was the weakest currency within the European Monetary System last week, but remained comfortably placed within its ECU divergence limit. Once again there was no intervention by the Belgian Central Bank, indicating the franc's underlying strength. Elsewhere the Italian lira was the strongest member, followed by the Danish krone.

#### Iran admitted that a riot of Iraqi prisoners of war earlier this month left five of them dead and accused delegates of the International Committee of Red Cross, who were visiting the camp, of provoking the outbreak.

#### An Arab youth was killed and two other injured in a rocket attack on a bus in Jerusalem by suspected Jewish extremists.

#### More than 10 people in the south Indian state of Tamil Nadu have burnt themselves to death in the last three weeks out of sympathy for the serious illness of the state chief minister M. G. Ramachandran, a former film star.

#### Bulgarian protest

Bulgaria protested to Italy against the commitment for trial of three Bulgarians in Rome on charges of conspiring to kill Pope John Paul in May 1981.

#### Muzorewa rally

The first rally held in Harare by Bishop Abel Muzorewa since his release last month after 10 months' detention ended with supporters of his opposition United African National Council and Zimbabwe's ruling Zanu-PF party throwing stones at each other.

#### Chad talks fail

Peace talks between Chad's warring factions collapsed, increasing the possibility of renewed hostilities once the Franco-Libyan troop withdrawal is completed. Page 3

#### Boost for Nakasone

The challenger to Japanese Premier Yasuhiro Nakasone dropped out of the leadership struggle, leaving the way clear for him to serve a second two-year term. Page 3.

#### Coup denial

Zaire President Mobutu Sese Seko denied suggestions that an attempted coup earlier this month had been crushed with the aid of foreign intelligence agencies.

#### Drugs haul

Marseilles customs officers seized 10 tonnes of hashish worth \$50m aboard a container ship from the Middle East. Twelve people are being questioned. Portuguese police are holding 14 people after confiscating 25 tonnes of high-grade cannabis - estimated value \$3m - from a yacht called *Too Extravagant*.

#### Packed ice

More than 100 Soviet cargo ships were trapped for 20 days by pack ice in the River Lena in Northern Siberia before being rescued by nuclear-powered icebreakers.

## Easier terms urged on Latin American debt burden

THE DEBT burden of Latin American countries must be reorganised in accordance with their capacity to pay, according to a survey of the region's economic and social progress published today.

In a sombre assessment of the region's present economic state, the Inter-American Development Bank, a Washington-based international lending agency for Latin America, warned that unless the region is given easier terms for its debt servicing and granted fresh inflows of foreign capital, it will find it impossible to recoup the fall in income it has suffered for the past three years.

The bank says the 3 per cent drop in income per head of population last year was the "most dramatic setback since the great depression, and brought living standards down to the 1977 level."

The report stops short of overt criticism of the International Monetary Fund's austerity programmes which Latin American governments have been obliged to accept, but it clearly diverges from IMF strategies.

Mr Willy van Ruyckeghem, a senior bank official, suggested at a major conference in London that Latin American governments should not be obliged to pay more

than 25 per cent of their export income on debt servicing.

He said that if some forecasts proved correct and international interest rates rose to 10 per cent, the region would face a "doomsday situation." The bank's own forecast, he said, was that rates would drop to 9 per cent by the end of the decade.

The report suggests that the sharp drop in living standards stemmed from an abrupt shut-off of foreign capital flows to the region. Latin America netted \$40bn in foreign resources for current account financing in 1981 and \$38bn in 1982, but this dropped to no more than \$7bn last year.

The countries of the region responded to this drying up of foreign capital last year by producing an exceptionally large trade surplus of \$30bn. This was achieved by a sharp reduction of imports, which last year were in real terms equal to only half those of 1981.

At the same time, the bank reports, the drying up of foreign funds brought about a sharp drop in investment from 25.8 per cent of gross national product in 1981 to 19.0 per cent last year.

Reflecting the manufacturing sector, badly hit by the regional recession, the report comments: "In the past three years, not only has

there been an increase in idle installed plant capacity - its utilisation fell to a level of almost 50 per cent in several countries - and a consequent decrease in productivity, but a fall in the levels of industrial investment in new plant capacity has been accompanied by the disappearance or deterioration of significant portions of the already installed capacity."

*Economic and Social Progress in Latin America: Inter-American Development Bank, 1984 report, 608 17th St. N.W., Washington, DC, 20577*

Capital markets, Section II

## Walesa in call for calm after kidnap admission

By Christopher Bobinski in Warsaw

MGR LECH WALESA, leader of Poland's outlawed Solidarity trade union movement, appealed yesterday for restraint and calm after an admission by the authorities that Father Jerzy Popieluszko, an outspoken pro-Solidarity priest, had been kidnapped by three security men 10 days ago and probably murdered.

Last night more than 20,000 people gathered in the square outside Fr Popieluszko's parish church in northern Warsaw to pray for the missing priest, with strong detachments of riot police nearby.

After the service the crowd dispersed quickly and quietly. At St John's Cathedral in Warsaw's old town district, Cardinal Jozef Glemp, the primate, spoke to a congregation of 4,000 of the need to forgive one's enemies.

This followed the announcement by General Szeleslaw Kiszczak, the Interior Minister, in a 20-minute weekend speech that one of his subordinates, Captain Grzegorz Piotrowski, a 33-year-old departmental head, had admitted to killing the priest and organising the kidnap.

Two of the captain's colleagues were also being held but there was still no firm indication of the priest's whereabouts despite a massive search, the general said.

He denied that the authorities were responsible. "This unprecedented provocation was meant to threaten our policy of renewal and hence socialist Poland," he said. "The evidence the three men were giving was 'evasive and lacked coherence' but their behaviour during the kidnaping makes one regard it as a deliberate, well-masterminded plot."

No concrete evidence has so far been unearthed, however, as to the "secret inspiration" of the kidnaping, the general admitted.

A party social committee meeting which ended at the weekend has already given the party leadership and Gen Kiszczak personal authority to conduct a purge of the security service. Indeed, the indications are that Gen Wojciech Jaruzelski, the country's military ruler, is poised to use the incident to push back his hardline critics within the establishment.

A group of people, many of them prominent Solidarity leaders, who have spent the last week in the rectory at Fr Popieluszko's church in north Warsaw helping to coordinate the prayer protests, were asked to leave by the Warsaw mission and did so at the weekend.

## Nigeria rules out early oil price increase

By Richard Johns in Geneva

NIGERIA yesterday ruled out any early realignment of its oil prices with other members of the Organisation of Petroleum Exporting Countries, or a cut in its production rate.

The uncompromising stance taken by Dr Tam David-West, Nigerian Minister of Oil, is expected to expedite rather than complicate an agreement among other members of Opec on a substantial reduction in collective output - limiting it to 16m barrels a day compared with the official ceiling of 17.5m b/d - at the emergency Opec meeting starting in Geneva today.

Six Opec ministers who had talks in Geneva last week reached a provisional understanding on the need to deny the market 2m to 2.5m b/d of the probable demand for Opec oil, estimated at 16m to 18.5m b/d projected for November, with Saudi Arabia bearing the brunt of the overall cut.

Agreement, however, could be jeopardised by disagreement over the price differential between light and heavy crude. Dr Mana Said al Otaibi, the United Arab Emirates Minister of Oil, warned yesterday that the UAE would unilaterally reduce the price of Abu Dhabi Murban Light crude if no compromise was reached.

The light crudes of Abu Dhabi, which account for most of the UAE's capacity, have suffered in the market because there is insufficient price difference between light heavy crude and the Arabian Light reference crude. Before the present crisis erupted with cuts of \$1.35 a barrel for North Sea crude first by Norway and then by Britain two weeks ago, Abu Dhabi was on the

verge of unilaterally making a 50 to 60 per cent cut in its prices.

Dr David-West said that Nigeria's prices, which were lowered by \$1 to \$2 per barrel 11 days ago, were "permanent until changed," making it clear that they would only be realigned when spot market rates corresponded to official ones, and even then perhaps not before the end of the year.

"We will meet in December and look at it again," he said with reference to the next Opec conference scheduled to start in Geneva in seven weeks.

Any Nigerian production cut was "out of the question" and the loss of one barrel would be "suicide." He indicated, however, that Lagos intended to stick to its quota, which Dr David-West defined as the present rate of 1.5m b/d. That volume was conceded by other members on a temporary basis allocation under Opec's price and production pact was set at 1.5m b/d.

Dr David-West also revealed that he had met with Mr Kaare Kristiansen, Norway's Minister of Energy, in Geneva and they had discussed "everything." Discounts of \$1.35 a barrel offered to customers by Statoil of Norway on October 12 triggered proposals by the British National Oil Corporation for similar price reductions for its supply contracts and Nigeria's cuts.

Other members of Opec meanwhile planned to proceed with their proposal to constrict supplies on the assumption that Nigeria and the North Sea producers will be pulled back into line when the market tightens and equilibrium is established. Last week, Sheikh Ahmed

## Canadian workers set to end GM strike

By Bernard Simon in Toronto

CANADIAN motor industry workers have succeeded in negotiating a labour contract with General Motors significantly different to the one accepted earlier this month by the company's U.S. workforce.

A tentative agreement between GM and the Canadian branch of the United Auto Workers was signed in Toronto over the weekend, clearing the way for an end to the 10-day strike which has disrupted GM's operations throughout North America.

GM's 36,000 production workers in Ontario and Quebec are expected to ratify a three-year contract today and return to work tomorrow or Wednesday. About 45,000 GM workers in the U.S. have been laid off because of the Canadian stoppage.

Both sides expressed satisfaction with the contract, which includes guaranteed wage increases for three years as well as cost-of-living allowances. The innovative profit sharing plan in GM's contract with its U.S. workers is not part of the agreement, after the Canadians' demand for a more traditional aid, in their opinion, more secure system of pay increases.

Mr Bob White, the UAW's Canadian director, said that only time would tell which group of workers would end up better off. Under the agreements, Canadian workers will receive an average of CS1.14 (86.5 U.S. cents) more per hour in basic wages over the next three years than their U.S. counterparts. A Canadian truck assemblers' hourly pay will rise from CS13.07 to CS15.50.

A cornerstone of the Canadian union's argument was the lower cost of labour for the company in Canada because of the decline in the Canadian dollar and state-subsidised health care programmes.

## UK unions may press miners to end strike

By John Lloyd, Industrial Editor, in London

BRITISH TRADE union leaders are showing increasing signs of concern that the miners' dispute, now in its 35th week, is unlikely to be settled in the near future - and may soon seek to put pressure on the National Union of Mineworkers (NUM) to agree a negotiated settlement.

The concern of senior union leaders has been sharpened by reports of contact between Mr Arthur Scargill, the NUM president, and his chief executive Mr Roger Windsor, and representatives of the Libyan government. These reports drew condemnation from every quarter yesterday.

In particular, Mr David Bassett, general secretary of the General Municipal and Boilermakers' Union and a key figure in organising a Trades Union Congress (TUC) consensus behind the miners, is known to think that the NUM officials acted in a very stupid fashion, and that support for the union by other trade unionists will be weakened.

Moves are expected over the next few weeks to gain a "fresh mandate" from the TUC's finance and general purposes committee, its most senior leaders, to discuss what form a compromise settlement might take with the three NUM national officials - Mr Scargill, Mr Peter Heathfield the general secretary and Mr Mick McGahey, the vice-president.

This might take the form of the TUC putting forward a draft agreement of its own, and seeking to get talks going on that basis, or it might involve round pressure on the NUM to look ahead at what the National Coal Board (NCB) has on offer.

Whatever form the pressure took, the three TUC leaders charged with monitoring the dispute - Mr Bas-

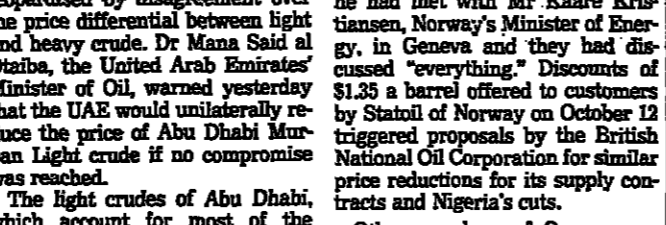
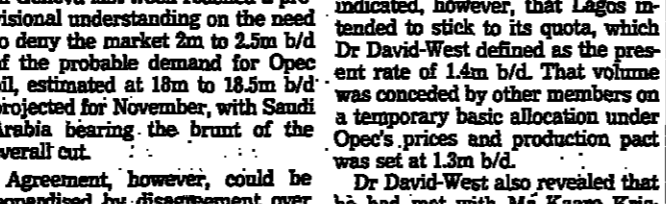
nett, Mr Norman Willis, the TUC general secretary, and Mr Ray Buckton, general secretary of the train drivers' union Aslef - would require agreement from their senior colleagues to breach the non-interference pact agreed by Mr Len Murray, the former TUC general secretary.

The TUC accepts that the talks, which will resume this week under the guidance of Acas, the Government-backed conciliation service, probably on Wednesday - are all but certain to end in failure, and that, as far as the NCB and the Government are concerned, this will mark the end of efforts to find an agreed solution.

Both the NCB and the NUM submitted documents to Acas over the weekend which lays out their positions. Mr Pat Lowry, the Acas chairman and Mr Dennis Boyd, the chief conciliator, are likely to attempt once more to bridge the gap between the two sides with a paper of their own which attempts to be a compromise between these two positions - but are conscious of working in an unpromising climate.

The Libyan connection is likely to damage the NUM's cause among the public and some trade unionists, but is unlikely to give Mr Scargill many problems at Thursday's routine executive meeting. While Mr Ted McKay, the North Wales secretary, and Mr Trevor Bell, secretary of the white collar section Cosa, both criticised the links, Mr Scargill retains dominance over the executive which will not be seriously shaken.

Mr Sid Vincent, Lancashire area secretary, said NUM officials had been travelling all over the world



From today the Financial Times increases its regular weekly coverage of the international capital markets to give an extra page of news, comment and prices.

The Monday edition will now contain an expanded list of bond and warrant prices supplied exclusively by the Association of International Bond Dealers. The list covers about 500 latest issues in major currency sectors of the Euro-bond market and takes account of growing business volume.

The format also includes for the first time regular comment on the UK gilt-edged market, as well as more detailed coverage of the U.S. money and credit markets. Pages 17-19

## Major world airlines expected to return to profit this year

By Michael Donne, Aerospace Correspondent, in London

THE MAJOR world airlines are expected to earn a profit after interest of about \$1.2bn on their international scheduled services in 1984. This compares with the loss of \$300m in 1983.

For 1985, the International Air Transport Association (IATA), which has 134 member-airlines, is forecasting a higher profit of about \$1.5bn with a further rise in 1986 to about \$1.7bn.

Mr Kurt Hammarskjold, who will present the figures in his annual report on the state of the world airline industry at the IATA annual meeting in Montreal today, says the improvement is the result of vigorous efforts by the airlines to cut costs, reduce capacity (the number of seats offered) and generally "slim down."

Many of them are leaner and tougher than they were before the recession. In addition, air traffic has been growing much faster than anticipated over the past year or so.

"This growth," says Mr Hammarskjold, "is being translated into improved results by greater efficiency, and not at the expense of the consumer."

He stresses that the financial outlook for the IATA airlines was very finely balanced, however. The

planned profit margins were thin, and sensitive to even slight changes in traffic capacity, yield or unit cost trends.

"A small adverse movement in any of these parameters could quickly turn the industry back into deficit," he says.

"With a possible downturn in the economic cycle, traffic growth could be slowing by 1985, and is unlikely to rise above the rate of increase now being forecast (between 4 and 5 per cent)."

"In these circumstances just two percentage points of additional capacity would reduce profitability by \$800m. With supply (of seats) outstripping demand, the yield would probably weaken. If it deteriorated by only one percentage point, this would cut profits by a further \$400m."

"The airline industry as a whole is still not earning nearly enough fully to cover all costs, including fleet and other equipment replacement."

"This applies even to individual airlines showing a good upturn in profits. Therefore, continued vigilance and determination to cut costs and improve yields are still as vital as ever," he said.

Mr Hammarskjold refers indi-

rectly to the Anglo-U.S. row over the impact of U.S. anti-trust laws on projected cheaper Atlantic air fares, when he criticises the efforts of some countries to "export their national regulatory philosophies designed for unified domestic environments."

IATA, with the support of many foreign governments, has fought a running battle over recent years to prevent the U.S. Civil Aeronautics Board imposing anti-trust laws on the foreign airlines serving the U.S.

"Recognition at government level of the special multilateral nature of the international air transport system is as essential today to the continuing progress of the industry as it was 40 years ago, at the time of the creation of the International Civil Aviation Organisation and the IATA," says Mr Hammarskjold.

"Securing this recognition is a running objective of the association, and member airlines can play their part in their contacts with their national authorities."

"At stake is the survival of a worldwide integrated air transport system in a constantly evolving environment."

Cloudy horizons for airlines business, Page 4

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OVERSEAS NEWS

# Franco-German summit to focus on space projects

By RUPERT CORNWELL IN BONN

FRANCE will press West Germany for a speedy further commitment to major space programmes involving the two countries, when President Francois Mitterrand and Chancellor Helmut Kohl begin a summit meeting today.

Two issues, the future development of the European Ariane launcher rocket project and a plan for Paris and Bonn to acquire their own military satellites in the 1990s are set to be at the centre of the talks.

Both have become a touchstone of West German readiness to put into practice the conviction, often expounded by Herr Kohl, that a close Franco-German partnership must be a driving force to give new impetus to the European Community.

Mainly for budgetary reasons, however, Bonn has been unwilling so far to commit more public money to civil space programmes, including Ariane.

Difficulties also appear to have arisen over the spy satellite scheme - at least as initially outlined - which is currently under examination by a study group of experts from the two nations.

Earlier this month, Defence Ministry officials had to deny insistent reports that Bonn was demanding a more equal division of contracting work, as well as major technical revisions to the scheme, before agreeing to go ahead.

Even so, the two-day meeting in the Rhineland-Palatinate spa of

Bad Kreuznach is likely to produce a broad consensus on a necessary "new start" for Europe, now that the long-running British budgetary problem has at last been settled.

The one real cloud may well be Bonn's increasing impatience at the slow pace with which the enlargement negotiations for Portuguese and Spanish entry into the EEC are proceeding and for which France is held to be largely responsible.

AP reports from Stuttgart: Baden-Württemberg state went to the polls yesterday to elect 1,100 city and 35 county councils.

The elections, coming three days after Herr Rainer Barzel resigned as Bundestag president amid allegations that he accepted DM 1.7m (\$682,000) from the Flick industrial concern, will provide a test of public reaction to the government parties.

The Christian Democrats won 33 per cent of the vote in local elections four years ago, followed closely by candidates not affiliated to a political party, who won 32.1 per cent. Baden-Württemberg is the West German state with the largest number of independent voters.

The Social Democratic Party won 19 per cent of the vote in 1980 and the small Free Democratic Party only 1.1 per cent.

Final results of yesterday's election were not expected for several weeks because of a complicated electoral procedure giving each voter as many votes as there are seats in the council he or she is electing.

# Yugoslavia sets ambitious economic goals for 1985

BELGRADE — Yugoslavia, faced with large foreign debts, has announced ambitious economic targets for next year, including increased exports and industrial output.

Details of the 1985 draft economic development plan, approved at a government session on Saturday night, were released in Belgrade newspapers yesterday. The draft will be discussed by Yugoslavia's six republics before final parliamentary approval.

The main 1985 economic targets are for increased exports, industrial and agricultural production. The plan also envisages lower inflation, now running at more than 60 per cent, as well as a balance of payment surplus and the creation of conditions to service nearly \$21bn worth of foreign debts, the Government said.

Yugoslavia's gross national product should go up by at least 3 per cent next year, industrial production by more than 4 per cent and agricultural output by about 2.5 per cent, according to the plan, Reuter

# Cheysson condemns Moscow over Afghanistan

By Paul Betts in Paris

FRANCE CONDEMNED the Soviet presence in Afghanistan yesterday after the return to Paris to a hero's welcome of M Jacques Aboucher, the French television journalist captured in Afghanistan and sentenced to an 18-year prison term before being released at the end of last week.

M Claude Cheysson, the French foreign minister, said on French national television yesterday that the Soviet presence in Afghanistan was similar to the U.S. presence in Vietnam.

He said Franco-Soviet relations had remained "unchanged for a good number of months" and that the French Government continued to condemn the Soviet presence in Afghanistan, its role in Poland and its deployment of SS20 nuclear missiles.

He also emphasised the French Government had adopted a firm position on M Aboucher's release, refusing any deals with Moscow. Indeed, the tough line adopted by the French Government and the national indignation caused by M Aboucher's arrest appears to have persuaded Moscow to defuse the developing diplomatic controversy quickly.

Moscow was clearly reluctant to allow the affair to blow up at a time of an improvement in relations between Paris and Moscow. The improvement followed President Mitterrand's visit to the Soviet Union last June. Relations had been cool until then because of the French president's outspoken support for the deployment of new U.S. nuclear missiles in Europe.

Moreover, M Laurent Fabius, the French Prime Minister, had threatened to boycott last Friday's celebrations in Paris of the 60th anniversary of the resumption of Franco-Soviet relations. To mark this anniversary, President Mitterrand sent a message to Mr Constantin Chernenko, the Soviet leader, emphasising the importance of an open and constant dialogue between the two countries.

M Cheysson also sent a message to Mr Andrei Gromyko, the Soviet Foreign Minister, urging greater contacts between the two countries.

# A SIX POINT AGENDA FOR THE WESTERN EUROPEAN UNION

# Europe pledges harmony on defence

By BRIDGET BLOOM

THE SEVEN governments of the Western European Union have pledged to harmonise views on a wide range of defence and security issues following the decision at the weekend formally to reactivate the 30 year old organisation.

The foreign and defence ministers of Britain, France, West Germany, Italy and the Benelux countries, who were meeting in Rome, have set themselves a six point agenda for discussions which will take place twice a year at ministerial level and more frequently among ambassadors.

The ministers have also charged their officials with recommending within the next few months ways of reforming the institution of the WEU, though they have enjoined them neither to increase the present budget nor to engage more staff.

Observers here yesterday saw in the conclusion of the ministerial meeting the clearest indication yet that the seven hope to give a new political impetus to defence co-operation in Europe.

The 14 ministers were evidently pleased with their deliberations. Herr Hans Dietrich Genscher, the West German Foreign Minister and current WEU president, spoke of the unanimous agreement to strengthen the European pillar within the Nato Alliance.

Sir Geoffrey Howe, British Foreign Secretary, declared that the ministers had met at

the right time and had come to the right conclusions. The WEU's aims were now well defined by the Rome Declaration, which the ministers published on Saturday, Sir Geoffrey said.

The declaration states that while the 16 member Nato Alliance, which includes the U.S., remains the foundation of European security the seven were determined to "make better use of the WEU to increase co-operation in the field of security and to encourage consensus." Sir Geoffrey added

### Future meetings

"We are now anxious that these words should be translated into effective action."

The six point agenda for future meetings of defence and foreign ministers entails:

- General defence questions.
- Arms control and disarmament.
- Developments in East-West relations and their effect on European security.
- European contribution to strengthening the Atlantic Alliance "bearing in mind the importance of transatlantic relations."
- European co-operation in armaments manufacture.
- Implications for Europe of crises elsewhere in the world.

It appears that ministers did not actually breach this agenda during their meeting here. It also seems clear that they left the most contentious issues on restructuring the WEU to their officials to resolve before the

next ministerial meeting in about six months' time.

One of the problems which took longer than expected was the advisability of extending membership of the WEU. Herr Genscher confirmed on Saturday that an application for membership from Portugal had been received, but in a noticeably cool reaction said simply that it would be considered by ministers. While its present members do not want WEU publicly to appear as an exclusive club within Europe they are in fact keen to prevent the organisation succumbing to the political problems which followed enlargement of the EEC or which often bedevil Nato.

On the reorganisation of WEU the ministers failed to agree on precisely what should happen to its two committees.

The ministers agreed that the last of the post-war controls on German conventional rearmament, which the Arms Control Agency was set up to monitor, should be removed by January 1, 1986 and that the work of the ACA was already largely superfluous. They also agreed to agree, at least in principle, with the British view that the Standing Armaments Committee could not and should not replace the practical work of the Nato affiliated Independent European Programme Group in furthering collaborative arms production in Europe.

An official working group is to try to resolve differences over whether—as Britain would

like — the two committees should be merged into a purely advisory think tank or whether they should be given more "teeth" as separate entities.

Ministers were, however, emphatic that the reorganisation of the committees and of the WEU Secretariat should not result in an increase either in the number of staff employed or in the money spent. The WEU's annual budget is currently about £2m and its staff, including those working for the Parliamentary Assembly, number about 130.

### Revival hopes

The ministers' thoughts on the reorganisation were contained in a separate eight-page published document, two pages of which were devoted to relations with the Assembly. The 89-member body meets today in extraordinary session to discuss the revival of the WEU and its own part in it.

Ministers hope that the Assembly, which had become almost as moribund as the other institutions of the WEU, can help promote debate and produce a broader consensus for European defence.

The Assembly is composed of MPs nominated by member governments and is the only representative European body mandated to discuss defence. However, many observers feel it will need as great, if not greater, revitalisation than the WEU itself if it is to fulfil those hopes.

# Row over French research site

By DAVID MARSH IN PARIS

A POLITICAL dispute has broken out in France over the Government's decision to choose Grenoble rather than the competing scientific centre of Strasbourg as the home for a \$100m European X-ray research complex.

The Strasbourg research community has accused the Socialist Government of choosing the site on political rather than technological grounds.

M Hubert Curien, the Research and Technology Minister, defended the choice in the National Assembly in the face of protests from Strasbourg opposition deputies, claiming that Grenoble was the better site and had been more effectively

fought for by that region's scientific community.

The European project is for an X-ray synchrotron source made up of a ring 70m circumference, used to speed up electrons close to the velocity of light so as to permit research into materials structure in a range of scientific, industrial and medical fields.

Apart from France and West Germany, which are putting up the lion's share of the cash, Britain, Denmark, Finland, Italy and Sweden are also involved.

The French Government's decision to choose Grenoble in the French Alps, was made after more than a year of complex horse-trading.

Political leaders - including Socialists - and scientists from Strasbourg have argued that rejection of their city's candidature flew in the face of the Government's promise to make it a European scientific capital.

Regional and city authorities from the two competing centres tried to sway the decision by putting up considerable financial incentives, Strasbourg offering FF1,000m (\$107m) and Grenoble FF80m.

West Germany favoured the Strasbourg

A key scientific factor behind the Government's decision is the existence of a large nuclear research community in Grenoble.

# Mondale battles against the odds

By Stewart Flaxler in Washington

WITH JUST over a week left before Americans go to the polls to elect a new president, Mr Walter Mondale, the Democratic Party challenger to President Ronald Reagan, is once again battling to dispel fears that he is too far behind the president to win.

The latest public opinion polls show that Mr Reagan's support is solid, and that since the second televised debate with Mr Mondale last Sunday, he has begun to widen his lead slightly over his challenger. Mr Mondale's advisers are now beginning to worry that the wide spread perception that their candidate cannot win may reduce voter turnout among Democratic supporters and hand Mr Reagan a spanking victory.

High among the concerns in the Democratic Party on this score is the fear that a sweeping victory could diminish or perhaps even eliminate Democratic hopes of securing control of the Senate from the Republicans. There are fears too that a failure to motivate Democratic supporters could result in the loss of enough seats to the House of Representatives to reduce the ability of the party to oppose a re-elected President Reagan's policies.

The latest New York Times/CBS News poll published yesterday has Mr Reagan leading Mr Mondale in a presidential preference run-off by 35 per cent to 25 per cent. The 10-point margin for the poll which was taken last week following the second televised debate compares with a 12-point margin in a poll after the first debate.

Mr Mondale and his aides, buoyed by yesterday's decision of the New York Times to endorse the former Vice-President, are describing the polls as misleading. They claim that the "slight" shift to Mr Reagan is insignificant.

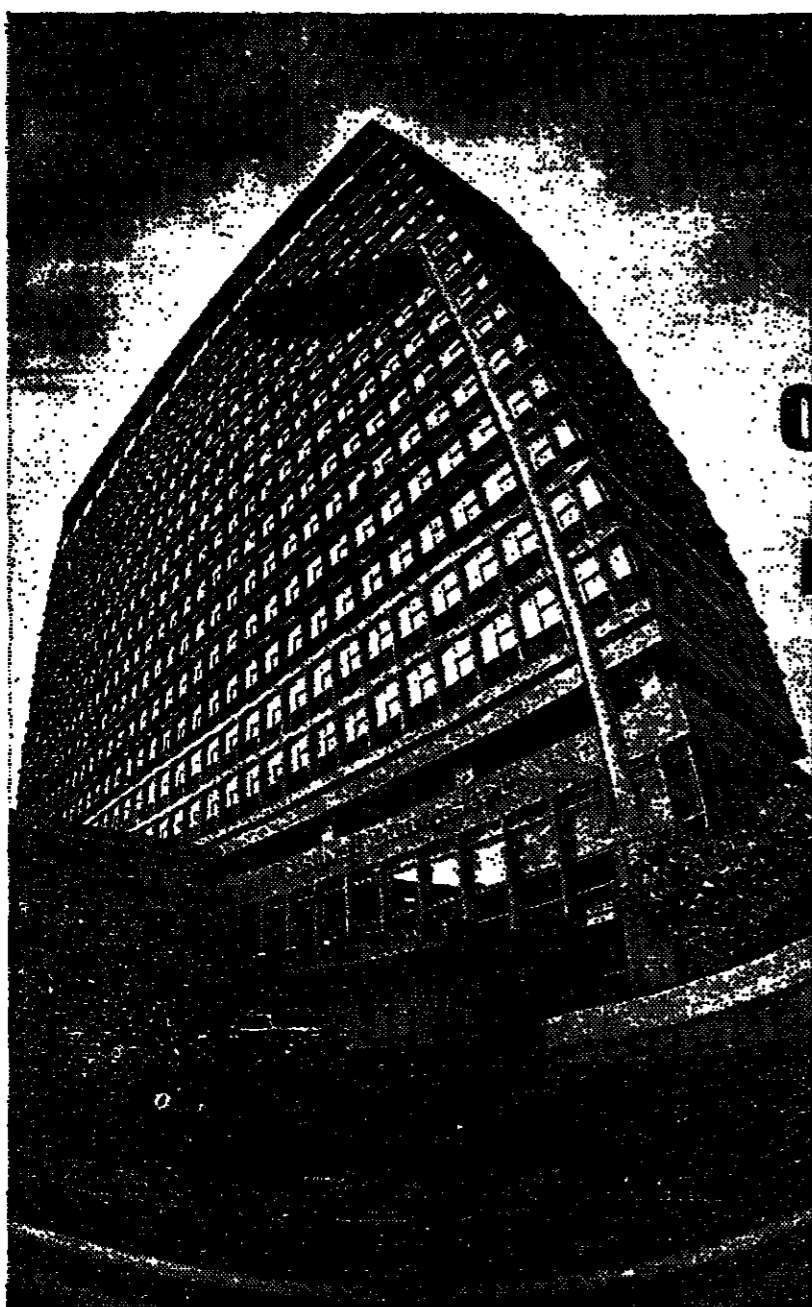
It is not only the polls, however, which have been moving Mr Reagan's way. The recent cut in the prime lending rate by major commercial banks, which has taken this high visibility indicator of the cost of borrowing down to 12 per cent, coupled with good inflation news and moderate growth in the third quarter, has prevented Mr Mondale from effectively attacking Mr Reagan's economic policies. Reuter.

# Nicaragua says no to changing Contadora pact

MANAGUA — Nicaragua's Foreign Minister has said his government will not accept significant changes in the Contadora treaty, a draft peace pact which has run into opposition from the U.S. and its Central American allies.

Sr Miguel d'Escoto's statement was the first clear indication of Nicaragua's policy since Washington last month changed its position on the treaty.

Diplomats said the seemingly irreconcilable U.S. and Nicaraguan positions could spell the final demise of a process begun by the foreign ministers of Mexico, Venezuela, Panama and Colombia in January last year. Reuter.



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OVERSEAS NEWS

Hong Kong cuts prime lending rate to 12%

By David Dodwell in Hong Kong

PRIME LENDING rates in Hong Kong were trimmed by one percentage point to 12 per cent at the weekend by the Territory's association of banks as interest rates eased in the U.S. and as market operators talked of increasing investor confidence.

The cut is the second within a month. The revised rate compares with a rate of 17 per cent in July as jitters over the fate of Hong Kong when Peking regained sovereignty in 1997 triggered a short but sharp run on the local currency.

The cut has been widely expected over the past two weeks, and this has resulted in a strong stock market performance. It was welcomed at the weekend, particularly by local property companies, many of which carry heavy debts following the property crash of two years ago, and which see lower interest rates as an essential precondition for any recovery in the house-buying market.

Investor confidence has improved in Hong Kong following the successful completion in September of protracted and secret Sino-British negotiations over the Territory's future.

Local and foreign investors have also been buoyed by a powerful export-led economic recovery over the past year. Trade statistics for the first nine months of 1984, due in a matter of days, are expected to show real growth in exports from the region of 25 per cent, and a visible trade surplus for the first time in about five years.

Falling interest rates in the U.S. are also an important factor in the interest rate cut, because the local currency has been linked since October last year to the U.S. dollar.

Argentina torture

Argentine public officials or private citizens who torture prisoners can be jailed for life under new powers given to courts, Reuters reports from Buenos Aires. Officials who know a prisoner is being tortured and fail to report it within 24 hours face a similar sentence, a government official said.

South Africans admit working for arms agency

PRETORIA — Four South Africans wanted by a British court for alleged arms smuggling have admitted working for Armscor, South Africa's quasi-government arms procurer and manufacturer. One of the fugitives said the four considered themselves "officials" of the Government.

The four appeared at a Press conference on Saturday sponsored by Armscor, the company which has turned South Africa into a weapons exporter in spite of a UN embargo aimed at punishing the country because of its policy of apartheid.

Mr Hendrik Botha, one of the four fugitives, said: "We do not see ourselves as arms smugglers, but as officials who carried out their duty. In accordance with the South African Government's view, we do not recognise the validity of the arms embargo against South Africa."

"We would like to stress that we acted in South Africa's interests, our own efforts and that of others over the years have enabled the republic to develop many advanced weapons systems for the defence of our country," he said.

The four struck a patriotic tone in spite of the charges that they were exporting items in contravention of British law. "We did not contravene any South African law, and consequently, we do not regard ourselves as criminals," Mr Botha said.

The Press conference, marked the first time the men have spoken publicly about their mission to Britain in March that landed them in prison and later at the centre of a dispute between the British and South African Governments.

Arrested and charged with illegally exporting weapons systems to South Africa in violation of the UN embargo, the four were freed by a Coventry court after South Africa paid their £400,000 bail. South Africa also promised the four would return to Britain on October 22 to face the charges.

But on September 13, six South African opposition politicians wanted for arrest without charge took refuge in the British consulate in Durban. Because Britain refused to expel the fugitives, South Africa said it was retaliating by refusing to send back the four.

accused. The four never appeared for their trial last Monday, and the court issued warrants for their arrest.

Domestically, the issue brought the Government of President P. W. Botha under sharp attack for breaking its oath. Critics said the Government could have retaliated in other ways, without going back on its word.

Mubarak in France and W. Germany to promote peace bid

By Tony Walker in Cairo

PRESIDENT Hosni Mubarak of Egypt travels to France today at the start of a brief European tour in an effort to gather support for renewed Middle East peace initiatives.

Mr Mubarak will confer with President Francois Mitterrand of France before going on to West Germany for meetings with Chancellor Helmut Kohl. High on the agenda of both sets of discussions will be the Palestinian issue.

The semi-official Al-Ahram newspaper, in an editorial on the eve of Mr Mubarak's departure, called for a revival of European efforts to secure a "comprehensive Middle East peace."

The newspaper noted that the European Community's 1980 Venice declarations of support for Palestinian self-determination had not resulted in a detailed plan of action, partly because of the lack of a unified Arab position.

Egypt, in recent months, has been pushing a more activist foreign policy. Jordan's decision late last month to restore ties with Cairo, broken at the time of the peace treaty with Israel in 1979, has given Egyptian diplomacy a significant boost.

Mr Mubarak and King Hussein earlier this month agreed to work for a renewed Middle East peace effort, including the possible holding of a Middle East peace conference.

Western diplomats in Cairo see present discussions in various centres about possible renewed Middle East peace efforts as part of a general preparation for the period following the U.S. presidential election when it is expected the new Administration will play a more active diplomatic role in the region.

However, while deep divisions remain within the Arab world, notably between Syria and the moderate Arab states such as Egypt and Jordan, there is not much optimism about real progress on the Palestinian question.

Mr Mubarak is also expected to discuss economic assistance with his French and German hosts. Both France and Germany have extensive economic links with Egypt and are significant aid donors in the form of direct grants and "soft" loans.

Mr Mubarak was also to have visited Portugal and Greece, but these visits were cancelled. No explanation was given.

Plot fails to end Nakasone's premiership

By Jurek Martin in Tokyo

MR YASUHIRO NAKASONE was obliged to endure a difficult weekend, including rumours of a detailed political plot against him, but was last night finally assured of being returned as Prime Minister of Japan for another nominal two-year term.

Senior executives of the ruling Liberal Democratic Party convened in virtually non-stop session throughout the weekend, to debate what has for weeks seemed increasingly inevitable — that Mr Nakasone would be presented as the sole candidate for the party presidency at next month's convention.

However, it was only yesterday evening that his three potential challengers, Mr Kiichi Miyazawa, Mr Shintaro Abe and Mr Toshio Kamekura, threw in the towel, and the party executive was still meeting late into the night to determine the precise terms under which Mr Nakasone's name would be put forward.

This centred on exactly how he would promise to "reform" the party, which means, in practice, how he would pledge to reduce or eliminate the perceived influence of Mr Kakuei Tanaka, the former Prime Minister, convicted a year ago of accepting bribes from the Lockheed Corporation but still the most powerful politician in the land. Mr Tanaka is Mr Nakasone's biggest backer.

The major diversion of the weekend was the revelation of the extent to which Mr Tanaka's opponents have gone in their attempt to prevent Mr Nakasone's re-election. It has been well known for some months that the search for a compromise alternative candidate has centred on Mr Susumu Nakaido, the LDP vice-

president, and, curiously, chairman of the Tanaka party faction.

However, Mr Nakaido disclosed over the weekend that he had been approached not only by such LDP factional leaders as Mr Zenko Suzuki and Mr Take Fukuda, who run the second and third largest groupings, but also by the leaders of the second and third largest opposition parties, Komeito, the Buddhist based party, and the Democratic Socialists.

Mr Nakaido insisted that he had never taken the overtures seriously. But he undermined this protestation by revealing that on Saturday he had had what he portrayed as an acrimonious conversation with Mr Tanaka, during which he complained that his boss never seemed willing to allow one of his faction to run for the party presidency. Mr Nakaido then

also launched into a 30-minute broadside against Mr Nakasone's style of political management.

The practical significance of the Nakaido affair appears twofold. First, Mr Nakasone must decide how to treat Mr Nakaido, who is very popular and who now stands revealed as both a supporter and a rival. Second is what it portends for the continued unity of the Tanaka faction whose approximately 120 members in parliament are the most effective force inside the party.

Moreover, the weekend's extraordinary debates, which were widely reported to the public, also reveal the depth of mistrust of Mr Nakasone that exists inside the ruling party. For all his external image as a strong leader, the Prime Minister has been reminded that the lease he holds on the party is not yet open-ended.

Jumblatt and Berri threaten to resign

By Nora Boustany in Beirut

TWO LEADING Moslem ministers in the Lebanese Government have threatened to resign because of delays over political reform.

Mr Nabih Berri, the South Lebanon Minister, warned over the weekend that he would quit unless the Government accelerated efforts to carry out reforms. He also objected to a Cabinet decision cancelling state subsidies for fuel as part of austerity measures for the coming year.

Mr Walid Jumblatt, the Druze leader who is Tourism and Public Works Minister, charged separately that President Amin Gemayel and Prime Minister Rashid Karami were stalling on planned reforms that should give Moslems a greater share in political power.

Mr Jumblatt has made a habit of boycotting cabinet meetings in recent weeks. The two most recent, extraordinary ministerial sessions concentrated on recouping lost government income, tax collection and extending government control.

On Saturday, officials were quoted as saying that ships using illegal ports to unload would be attacked and confiscated.

Mr Karami issued instructions to army commanders and police to draw up plans for seizure of the illegal harbours which operate under protection from armed militias all along Lebanon's coast.

Bangladesh elections postponed

DHAKA — Bangladesh's main opposition groups said today they were dismayed by the postponement of parliamentary elections planned for December.

They said the decision exposed the "autocratic character" of the military government that often spoke of civil rule only to befool the people but has no respect for democracy.

President Hossain Mohammad Ershad put off the elections indefinitely yesterday for a second time since he seized power in a coup in March 1982. Leaders of a 15-party opposition alliance headed by Sheikh

Hasina Wazed said President Ershad would never be willing to hold elections or return power to civilians but was trying to consolidate his own power and prolong martial law.

"This was reflected in his persistent refusal to accept opposition conditions for the elections," the alliance said in a statement.

Mr Begum Khaleda Zia, who heads a seven-party grouping, said the President put up a smokescreen by repeatedly announcing election timetables but he never took realistic measures to choose a sovereign

parliament. He and other opposition leaders want President Ershad to lift martial law and set up an interim government to ensure free and fair elections.

Mr A. R. Yusuf, special assistant to the President, said the decision to postpone elections was made inevitable by the refusal of the main opposition groups to take part in the polls.

"We want to hold a meaningful election, but it is not possible without all parties participating," he said.

Chad peace talks collapse

BRAZZAVILLE—Peace talks between Chad's warring factions have ended in failure, leaving open the possibility of renewed hostilities once France and Libya complete troop withdrawals. But delegates from both the French-backed administration and its main rival faction said they would explore ways of resuming the talks.

It was the second time in less than a year that disagreement about who has the right to speak as Chad's legal government had wrecked efforts to negotiate a settlement.

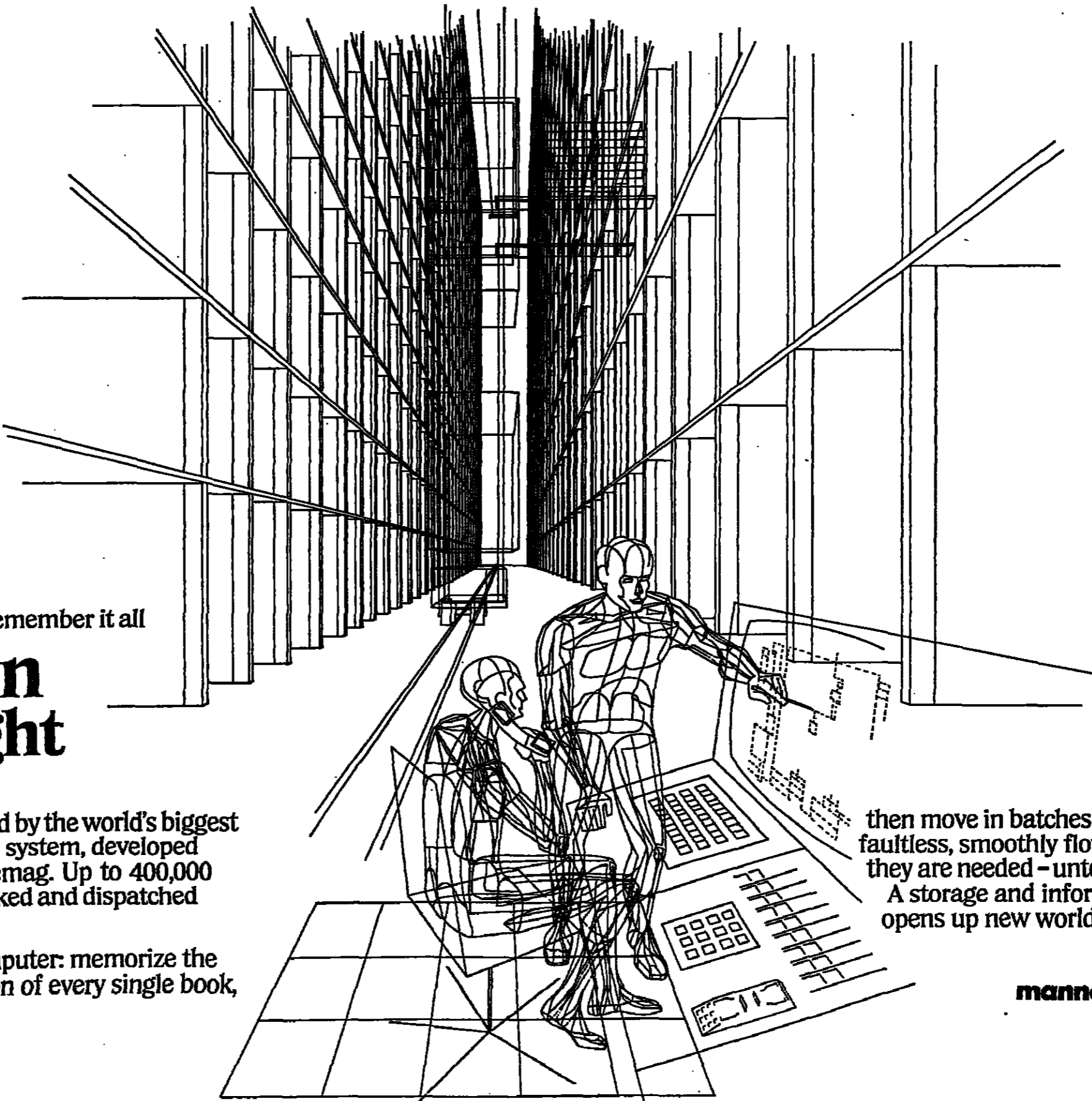
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WORLD TRADE NEWS

Libyan pressure on Irish beef sales

By Brendan Keenan in Dublin

LIBYA is increasing its pressure on the Irish Republic to correct the trade imbalance between the two countries. The Libyans have taken no beef from Ireland for several weeks, although exports of live cattle are continuing. Beef and cattle make up about 80 per cent of Irish exports to Libya, worth up to £80m (£65m) a year.

Mr Seamus Purcell, the leading exporter of beef to Libya, had talks in Tripoli last week. The Libyans want the Irish to buy crude oil in a direct deal through the Irish state oil company INPC, but some traders are not in favour of tying beef sales to oil purchases. They point out that Irish beef must compete on the open market for Libyan sales and see no reason why Ireland should not buy oil on the open market. Official Libyan oil prices were up to \$3 more expensive than comparable British crude, which supplies most of Ireland's needs, even before the recent price cut.

The Irish Government is reluctant to get directly involved in negotiations with Libya because of disagreements with aspects of Libyan foreign policy and the Libyan Government's sometimes ambiguous attitude to the troubles in Ireland.

There are suggestions that the Libyans feel that Ireland has not taken trade relations between the two countries sufficiently seriously. This may be corrected at a meeting of their joint trade commission in a few weeks.

Libya bought beef and cattle valued at £240m last year but EEC subsidies mean the value to Ireland is almost twice that figure.

Cloudy horizon for airline business

By MICHAEL DONNE, AEROSPACE CORRESPONDENT

ALTHOUGH THE overall financial situation of the world's major airlines may be improving, the assembled chairmen and chief executives of the 134 member-airlines of the International Air Transport Association meeting in Montreal this week have little real cause for optimism.

Iata is forecasting a collective profit on its members' international scheduled services of about \$1.2bn for 1984, well above last year's loss of \$300m. For 1985 and 1986, profits are expected to continue to improve to \$1.5bn and \$1.7bn respectively.

But there the good news ends. Not only is there as likelihood of another traffic downturn in the mid-1980s, but Mr Knut Hammarskjöld, soon-to-retire director-general of the Iata, stresses in his annual report that a mass of troubles still beset the world airline industry.

The industry is still trying to improve its position following the cumulative losses of \$6.2bn registered since 1978. Many airlines are still trying to cut costs by laying off surplus labour, selling unwanted aircraft, eliminating unprofitable routes, and generally slimming down.

At the same time however, de-regulation in the U.S. and pressures from Governments, consumer groups, and new cheap fare entrants into international markets, all continue to force fares down, making it more difficult for airlines to earn profits, despite rising traffic.

Some of the major issues likely to be discussed in Montreal include: how to pay for the new fleets that will be needed through the rest of this century; how to recover "blocked earnings" — money owed by foreign governments which refuse to pay; and fares discounting by governments and airlines in many countries, especially in the Third World.

Other problems include rising charges for en-route navigation facilities, landing fees and aircraft parking charges, increasing levels of insurance on aircraft hulls, the imminent removal (especially in the U.S.) of past immunities on taxes on international air transport and the ever-prevalent fear of anti-trust actions against Iata members in the U.S.

A study by the Iata secretary has shown that over the next decade the association's members will need to spend up to \$150bn on new equipment to

replace ageing existing fleets, meet traffic growth and comply with new noise regulations. This will require profits, before interest, of some 7.5 per cent after allowing for tax.

The profits likely this year will fall far short of this. How, then, can the airlines meet their re-equipment bills? The only answer is new methods of financing.

As for blocked earnings, Iata estimates that some \$850m is still owed to the airlines by various countries. Some \$500m was recovered over the past year. African countries are the major culprits but the situation in the Middle East is now growing more serious.

Iata recognises the desperate shortage of foreign currency in some countries but it argues that the countries are jeopardising their own primary sources of such cash because sooner or later the airlines will cut off services if they cannot repatriate their earnings. This has already occurred in some African countries.

Preventing unrecouping of fares, which Iata calls "airfare integrity", is also a major problem. It has been estimated that illegal discounting costs Iata members

as much as \$1bn a year in lost revenues.

A "Fair Deal Monitoring Group" has been working for some time to reduce the scale of the problem and some progress has been made but in some parts of the world government support for undercutting makes it difficult to prevent.

The problem with insurance where higher premiums have been applied indiscriminately "with little regard to the claims experience of the individual airlines," has prompted Iata to study the possibility of reviving its own private insurance companies—Air Transport Insurance and Air Transport Guarantee, registered in Bermuda.

In Iata's view, the current situation shows signs of a "silver lining" in a cloudy horizon. There remain many problems, not least the need for governments to recognise that air transport is "an interwoven, inter-dependent entity, developed through half a century of consensus and co-ordination."

"Failure (by governments) to recognise the special multi-lateral nature of this global system threatens to halt or even reverse its cohesion and progress," it says.

Nigerian inspection teams arrive

By Patti Waldmeir

NIGERIA has sent teams of officials to London and Tokyo to inspect the country's imports prior to shipment, in an attempt to move the backlog of goods created by Lagos's dismissal of its inspection agents last month.

Four inspectors arrived in London on Friday, and will begin physical inspection of goods later this week, the Nigerian High Commission said. Eligible for inspection will be cargoes which are covered by the form M import document which would require inspection by SGS, the Swiss agents whose contract with Nigeria expired on September 30.

The Nigerian central bank has authorised banks to accept a clearance certificate from the import document which would "clean report of findings" from SGS when negotiating payment to exporters holding confirmed letters of credit.

The central bank began issuing forms M naming newly-appointed agents earlier this month, and UK agents Cotecna International (UK) said goods covered by these documents can begin being cleared by the end of this week.

The new agents have not, however, so far been authorised to inspect the substantial number of cargoes which are covered by forms M issued before October 1.

Exporters have been instructed to ship these goods to Lagos for inspection on arrival, but many have been reluctant to do so, fearing that the goods might be refused entry or prices arbitrarily cut at their destination.

Western electronics in Indo-Soviet barter agreement

By JOHN ELLIOTT IN NEW DELHI

INDIA intends to adapt electronics technology which it imports from its European and Japanese collaborators to build up its own electronics exports to the Soviet Union. The cost of the equipment will form part of a barter trade worth up to \$200m a year under which India will import three large-frame computers from the Soviet Union for use in nuclear and other fields.

India sees the Soviet Union as a major potential market to supplement its own domestic demand. It plans to increase the value of its electronics production from \$71.5m a year to \$100m by 1990 and believes that bulk sales to the Soviet will help it reach these targets and meet international price and quality levels.

The arrangements will also help solve India's problems over importing the large computers it needs. The U.S. is refusing to sanction Indian computer orders from IBM and Control Data Corporation without firm guarantees about the computers' end use.

"We are in a very difficult situation with countries in buying computers, even for our oil and railways networks," Mr S Vijayaraj, secretary of the Indian Electronics Department, said.

"We cannot always have people prowling around to see what we do. We are a self-respecting country and we need a second source."

There has been controversy

about companies using India as a back-door point of entry into the Soviet market.

The Indians arranged to buy the three large frame computers, worth \$38m, from Moscow earlier this month. A Soviet computer system costing between \$6m and \$7m will be delivered soon for India's Oil and Natural Gas Commission and another worth \$8m to \$9m will be delivered next year for a regional computer centre.

But the Indian Government regards the Soviet offer of the new Elbrus super computer, costing about \$90m, which will be used in Russia for the first time next year and imported by India in 1985 as its major catch.

The agreement to sell it is seen as a significant example, so far mainly seen in the defence field, of Moscow's willingness to make unusually generous offers of advanced technology to India in order to wear the country away from reliance on the West.

A list has been drawn up of 12 electronics products for export from India to the Soviet Union, six of seven of which will require prior approval from foreign collaborators. One item is telephone instruments, for which technology is to be licensed by India from two companies out of a short list of six. The others are CEC from the UK, Siemens and Krone from West Germany, Fabs Standard of Italy, Ericsson of Sweden and NEC of Japan.

SHIPPING REPORT

Atlantic rates up but Gulf remains quiet

By ANDREW FISHER, SHIPPING CORRESPONDENT

FREIGHT RATES across the Atlantic picked up sharply last week, as the Russians chartered more ships to import grain from the U.S. But tanker activity in the main Gulf loading area was weak as a result of uncertainty over oil prices.

Details of Soviet chartering were sketchy. But Denholm Coates reported that five Panamax vessels, capable of going through the Panama Canal, were taken at around

\$5,500 a day for transatlantic round trips.

This compared with the \$4,500 a day previously rumoured. Single voyage rates for Panamax ships from the U.S. Gulf moved up from \$14.50 a ton to \$15.75 for Japanese destinations.

Iron ore cargo rates remained low, however. Denholm said there were signs of congestion in the U.S. Gulf for grain

cargoes, while the dry cargo market in the Far East was "difficult and dull."

Tanker business from the Middle East virtually dried up last week, as operators waited to see the outcome of talks between producers on future oil prices.

Nearly 40 ships totalling around 11m deadweight tons are lying idle off the Gulf. E. A. Gibson Shipbrokers said

seven more of around 2m dwt were likely to appear in the first half of November.

Chartering of VLCCs (very large crude carriers) of more than 200,000 dwt was minimal from the Gulf. Most vessels fixed were around 80,000 dwt, mainly to the East. The only loading region to show real signs of life, added Gibson, was the Caribbean and east coast of Mexico.

U.S. mixed export credit change near

By Nancy Danne in Washington

TWO U.S. Government agencies may soon offer mixed credit financing for exports, in an effort to compete more effectively in foreign markets with subsidised exports from other countries.

The Export-Import Bank and the Agency for International Development (AID) are awaiting final approval from an inter-agency committee before offering mixed credit financing for a multi-million-dollar locomotive sale to Botswana in which the competition is a subsidised Canadian exporter.

The Reagan Administration is philosophically opposed to subsidised export credit and when it does make such offers it would prefer to bid against France, which it believes to be blocking a move towards consensus on mixed credits within the Organisation for Economic Co-operation and Development (OECD).

Congress last year lost patience with negotiations to end or limit "predatory" financing by competing countries and passed legislation requiring that the two agencies offer mixed credits.

AID, which provides foreign aid for development, has been particularly reluctant to allocate its limited resources for commercial deals but Eximbank has already offered mixed credits in support of U.S. exporters five times this year.

The U.S. has won only one of these bids so far, a \$15m deal for machine tools sold to Indonesia against Japanese and French competition. Although Eximbank and AID will not be directly challenging France, the most aggressive provider of mixed credits in the Botswana bid, it is thought that the proposal will serve notice that the U.S. is prepared to throw its resources into subsidised financing if necessary.

Officials still hope that the EEC will reach a mixed-credit consensus next month so that general OECD talks may begin in December.

UK component maker sets up joint factory in Delhi

By KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

QUINTON HAZELL of the UK, which has been relatively inactive in the development of the automotive component industry in India, has set up a joint company with the Talbros Company of New Delhi to produce steering and suspension components this year to 400,000 in 1985.

The new company, 60 per cent owned by Talbros, aims to capture between 15 and 17 per cent of the fast-growing Indian market. In addition QH will sell the components through its after-market (replacement parts and accessories) network in the U.S., Australia and South-East Asia.

The joint company, QH Talbros Steeringlink, has acquired a factory and is in the process of equipping it. The total investment will be over £1.3m, according to Mr Ray Sollett, QH's

chief executive. "The investment in India is a relatively small, but this project is very important to QH as a development step. It gives us penetration of a strategic market we have had our eye on for some years."

Official forecasts suggest that production of cars and commercial vehicles (but excluding agricultural tractors) in India will rise from about 250,000 this year to 400,000 in 1990.

The joint company will offer steering joints and steering linkages for cars and commercial vehicles.

The deal should also help protect QH's position in South East Asia, where its sales total £125m, mainly supplying components for British-built vehicles which are rapidly disappearing from the area.

Deficit prompts Maltese ban on Italian imports

By GODFREY GRIMA IN VALETTA

MALTA HAS suspended imports from Italy to exert pressure towards a more favourable trading balance between the two countries. Last year the Maltese trade deficit with Italy reached M£70m (£19m) in spite of pledges by the Italian Government to buy more Maltese goods.

A central bank statement said the temporary step was being taken to avoid a "very bad" situation from becoming disastrous. No import licences or cash payments to Italy will be sanctioned while the ban is in force.

Maltese imports from Italy are worth M£26m annually and include M£30m worth of refined petroleum products. Italy imports M£15m worth of semi-manufactured goods and re-exports. Attempts to persuade Italy to increase its imports or to step up investment in Malta's manufacturing industry have not borne fruit.

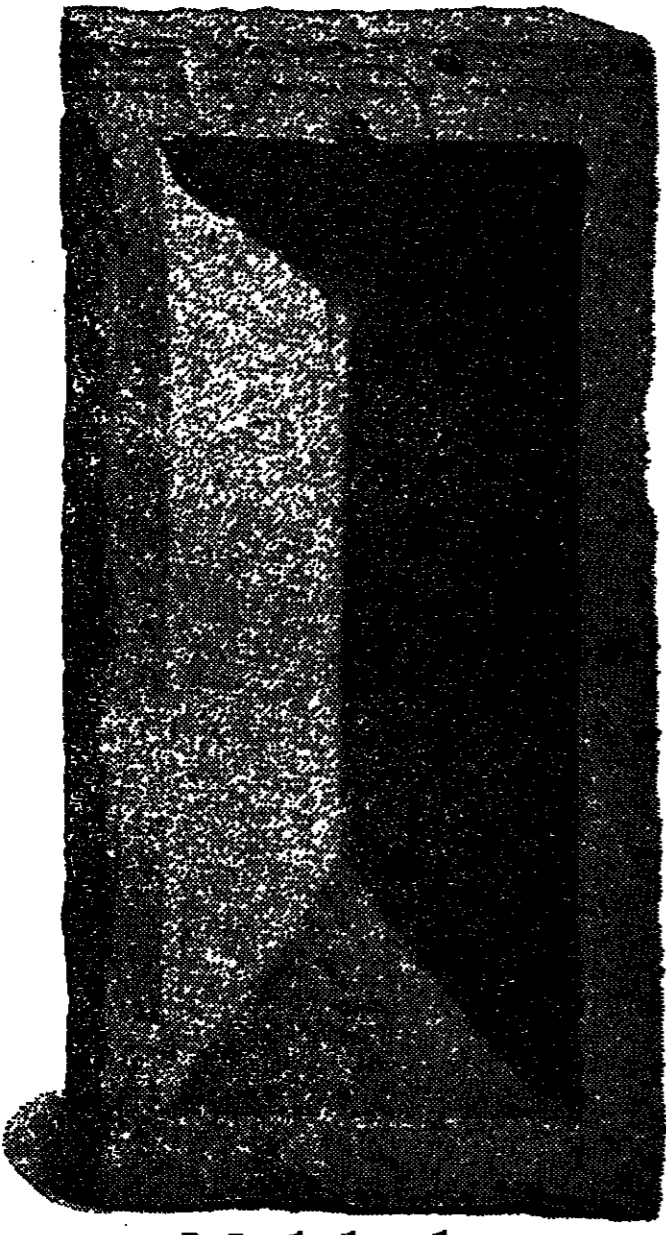
The central bank said that the ban would stay in force until an improvement in trading relations became visible. A similar ban already operates on Japanese goods and at one time imports from France were restricted.

WORLD ECONOMIC INDICATORS

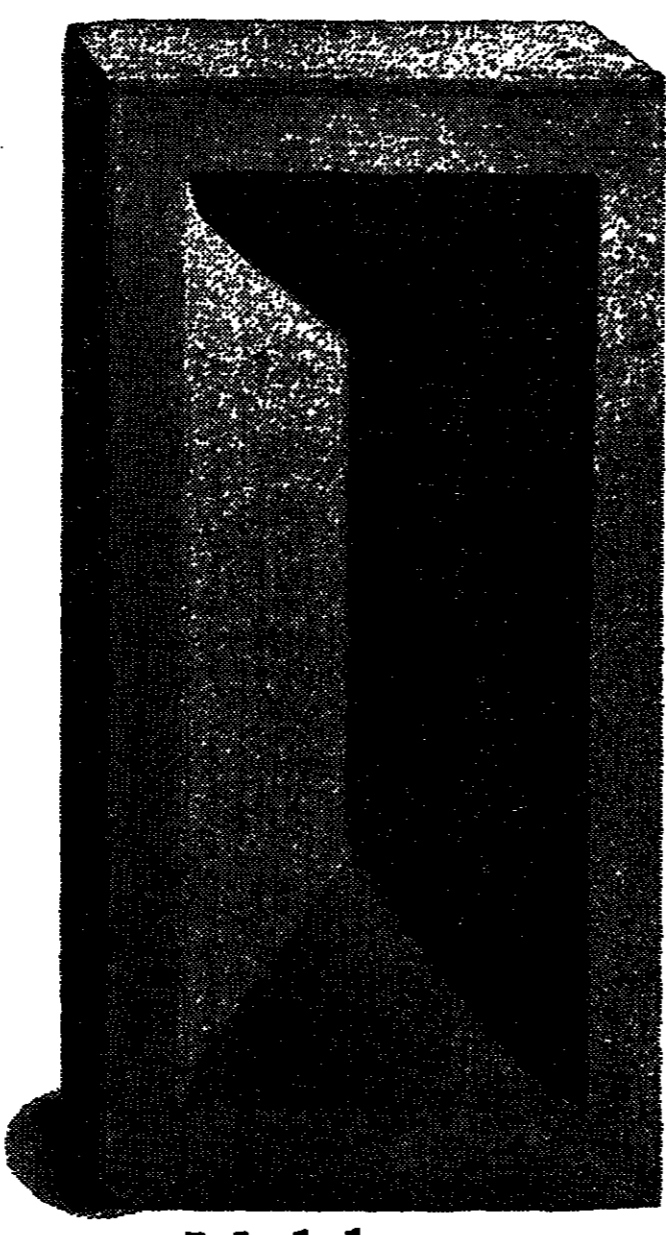
	INDUSTRIAL PRODUCTION (1975 = 100)				% change over previous year
	Sept '84	Aug '84	July '84	Sept '83	
U.S.	165.1	166.1	167.2	163.8	+2.1
Japan	117.1	118.0	117.2	107.5	+8.9
UK†	95.1	95.4	95.4	100.4	-2.6
Italy	119.7	120.7	121.7	120.2	-0.4
Netherlands	112.4	112.7	113.9	109.4	+2.7
W. Germany	119.5	107.8	112.0	118.4	+2.2

\* 1982 = 100. † 1980 = 100. Source (except U.S., UK, Japan): Bureau.

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29th October 1984

UK NEWS

LONDON BUSINESS SCHOOL'S FORECAST FOR THE ECONOMY

**Inflation put at under 5% over next four years**

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

UK OUTPUT will continue to grow at an average rate of around 2 per cent a year for the next four years with inflation a little under 5 per cent, the London Business School's centre for Economic Forecasting says in its latest Economic Outlook published today.

However, it says this growth would not be fast enough to reduce unemployment in the period. The number out of work is expected to rise to an underlying adult rate of 3.3m by 1986 and to remain at that level for the next two years. The centre says that its forecast assumes that the miners' strike will be over by the end of the year.

The effects would then be confined mainly to the coal industry, but it will also change the growth rate of the whole economy. Underlying growth rate for gross domestic product is estimated at 3 1/2 per cent in 1984 and 2 per cent next year. Taking account of the strike, these figures become 2.3 per cent at 3.1 per cent.

The centre says that apart from the loss of output due to the strike, official figures suggest a fall in manufacturing production between the fourth quarter of last year and the second quarter of 1984. This does not square, however, with the most recent evidence from Confederation of British Industry surveys of manufacturers and the centre says: "One problem is that the smallest firms, where much of the recovery is evident, are excluded from preliminary statistics."

It believes that output is, therefore, higher than official figures suggest and that "some of the pessimism about unit labour costs (and hence competitiveness) in the manufacturing sector is misplaced."

It says that on past experience a turning point in the business cycle might be expected to have happened in 1983 or 1984. After three-and-a-half years in which output had been growing at between 2 and 3 per cent a year, the centre says it expects some slow-down in growth, but only to about 2 per cent a year.

A substantial further rise in investment is expected, with total private non-residential investment up by more than 22 per cent during the two years 1984 and 1985.

Companies were likely to maintain profitability and meet substantial increases in average earnings by continuing to achieve exceptionally large gains in productivity. The centre adds: "So despite steadily rising output we expect total employment to rise only by half a per cent a year, not quite sufficient to match the rise in the working population."

**Price plan would hit small airlines**

BRITISH AIRWAYS (BA) is seeking a pricing policy for airport charges which would "discourage the use of small aircraft" at London's Heathrow airport.

This would be likely to hit small airlines competing with BA at Britain's main airport. Heathrow is running out of runway capacity at peak times, especially at the height of the summer.

A Government limit of 275,000 aircraft movements a year was fixed for next year when Terminal Four opens at Heathrow, but the airport operated close to or at that limit this summer.

Whitehall policy to liberalise domestic air services, with more airlines and competition on routes, is partly responsible for the pressure on runway capacity.

THE GOVERNMENT is expected to take the first formal step towards removing its statutory controls on the price of milk this week. This would end price controls for so-called "premium" milks, such as those produced in the Channel Islands and South Devon.

THE ATTACK by British Telecom (BT) on the market for large private exchanges (PABXs), has been hampered by production limitations at GEC Telecommunications.

BT has sold all the large exchanges it had ordered from GEC in the year until March 1985 and is expected to have to wait for further supplies.

CABLE TELEVISION programme providers are pressing the government to allow more methods of distributing programmes to try to increase the size of their market.

They want the Government to permit distribution of their programmes via satellite to small cable networks in blocks of flats council estates, hotels or even military bases. One suggestion is that satellites could be used to deliver pictures of race meetings to individual betting shops.

TRADE UNION fears that the Government will attempt to depress wage levels in order to create jobs have been raised in a letter sent by Mr Norman Willis, general secretary of the Trades Union Congress to Mr Tom King, Employment Secretary.

**BL may raise car pay offer**

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

AUSTIN ROVER, BL's volume car subsidiary, is today expected to make a slight improvement on the pay offer rejected overwhelmingly by its 28,000 manual workers.

But the key test will be whether enough extra money will be forthcoming for union negotiators to seek a re-think by the workforce which has voted to support industrial action.

The company has said it wants "a reasonable" negotiated settlement. Mr Harold Musgrove, the chairman, has set the tone for today's talks with a warning that strike threats will not intimidate the management into agreeing wage settlements that can not be afforded.

Similar forceful warnings will be pressed at the recently privatised Jaguar Cars which faces a more urgent strike threat. The 7,000 manual workers have voted to walk out from Thursday in protest at an offer which would give a typical trackworker a rise of more than £25 a week over the next two years.

Mr John Egan, the chief executive, has thrown his personal authority behind repeated management declarations that no more new money is available. In a letter to workers he emphasises: "A strike, no matter how protracted, will not change the company's offer."

Jaguar management will spend the next three days trying to shift opinion against a stoppage. Efforts to involve national union leaders in any move to break the deadlock will be hampered by the fact they will be tied up in the delicate Austin Rover negotiations.

Both sides at Austin Rover hope the negotiations will not drag on beyond today. The company, with its opening offer of 4.7 per cent plus consolidation of £3.75 a week bonus in each of the next two years, has clearly left a little room for manoeuvre.

It seems unlikely that concessions will be made on a much-criticised productivity-related incentive

scheme, but perhaps another 50p or so a week might be added to basic pay. This move, however, proved insufficient to buy off union opposition in the negotiations at Jaguar.

More militant shop stewards have been arguing that last week's mass meeting have given the negotiating committee a mandate to give strike notices should it not be satisfied with the revised company offer.

It seems more likely that the company will make any improvement sufficient to justify the negotiators consulting further not only with the shop stewards leaders but with the whole workforce.

Austin Rover is known to be unhappy with the use of mass meetings to test shop floor opinion and is considering whether to take advantage of Part 2 of the 1984 Employment Act which only came into force a few weeks ago.

Under the new legislation employers can go to the High Court to obtain an injunction and/or damages to prevent industrial action being taken if it has not been sanctioned by a full secret ballot.

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UK NEWS

# Warning to rail unions of 'inevitable' cuts

BY HAZEL DUFFY

BRITISH RAIL'S 200,000 employees are given a stark warning today of the implications of the miners' strike on the future of the railway network.

Mr Bob Reid, BR chairman, writing in Rail News, the industry newspaper, said that "harsh and vigorous steps will have to be taken to cut resources" in the light of the inevitability that there will be "substantially reduced levels of traffic in the next few years."

Since the recently published corporate plan was written, BR has attempted to quantify the longer-term effects of the pit strike on the freight business. If the strike continues through the winter, it is forecasting a net loss of £81m for freight in 1985-86 against break-even in the corporate plan.

This reflects BR's acceptance that it will lose some of its coal business to competitors, and that the rebuilding of coal stocks at power stations will not take place as quickly as had been expected.

Mr Reid said: "It will take years of sustained effort and high reliability to persuade these major customers (the National Coal Board, Central Electricity Generating Board, and British Steel Corporation) to return to us after their experiences in 1984."

Since April, BR has been carrying only about 10 per cent of its normal coal business, which usually accounts for half of its freight revenues. Last year, gross income freight totalled £528m, equal to nearly half of total passenger income.

The effects can not be confined solely to the freight sector. Under the system of track allocation costs, freight pays a share according to its usage of the track.

Most coal is carried on passenger tracks at some stage of its journey. Any loss of this freight business would mean that the passenger side would have to make up the shortfall in track allocation costs.

Mr Reid also gave a warning that the worsening of BR's finances overall will make it "even harder" to finance the east coast main line electrification project which received Government approval in the summer.

The message is obviously calculated to bring home to the rail unions the consequences of their support for the miners.

# Yarrow in line for £110m contract

By Lynton McLean

YARROW SHIPBUILDERS, the Clyde-side warship yard, is set to win a contract worth more than £110m for the construction of the prototype Type 23 frigate for the Royal Navy.

Yarrow is one of the warship yards, owned by the nationalised British Shipbuilders, which the Government wants to sell to the private sector.

The order for this first vessel of the Type 23 class will be placed with Yarrow "shortly", Mr John Lee, the parliamentary under-secretary of state for defence procurement said at the weekend. He announced the decision at the launching of the latest Type 23 frigate, HMS London, at the Clyde shipyard.

The Ministry of Defence (MoD) proposes to order a total of eight Type 23 frigates. The 3,500-tonne vessels will form the backbone of the Royal Navy's anti-submarine warfare surface force in the 1990s. Conventional and nuclear powered submarines of the Royal Navy have the anti-submarine role underwritten.

The MoD wants HMS Norfolk, the first Type 23, to be delivered by Yarrow in early 1992. The prototype will undergo extensive trials for the first six months to year after delivery to the Royal Navy. The follow-on orders for the remaining seven Type 23 vessels will be issued only after satisfactory completion and evaluation of these trials. This is likely to be early in 1990.

In line with Mr Michael Heseltine, the Defence Secretary's emphasis on greater efficiencies in the equipment industries, these follow-on orders will all be put out to competitive tenders, to other yards as well as to Yarrow. The main competitors are likely to be Vickers Shipbuilders at Barrow in Furness; Swan Hunter on Tyne-side and Yarrow-Thornycroft (UK) at Southampton, Cammell Laird on Merseyside and Harland and Wolff in Belfast are also possible contenders.

The Type 23 frigate was designed by the Royal Navy and the Ministry of Defence. The final design was approved by the Admiralty Board in October last year, when detailed design work was well advanced at Yarrow Shipbuilders. Yarrow was the only warship yard asked to tender by the MoD.

The decision to go ahead with the Type 23 as the Royal Navy's main anti-submarine frigate marked the end of hopes by the private sector, led by design consultants Thornycroft, Giles and associations, for acceptance by the MoD of the rival S90 frigate design. This short and fat design failed to meet naval requirements, now met in the conventional, long and thin hull design of the Type 23 vessel.

The MoD said the "first batch of Type 23 frigates will be known as the Duke class." This suggests that the MoD is considering ordering further batches of the vessel in the 1990s.

# Ford establishes fleet sales division

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD has responded to the severe competition which threatens its dominance of fleet car sales in Britain by setting up for the first time a fleet sales division for cars and trucks, headed by a director.

Mr David Hurst, 39, director of truck sales, will take over on December 1 as director for car and truck fleet sales.

The change is part of a major restructuring of Ford's operations which will merge car and commercial vehicle responsibilities at the top of the sales and marketing organisation.

It coincides with the publication of an independent survey of company car schemes which found that

Ford's share of this business has dropped from 55 per cent to 48 per cent since 1982, whereas General Motors, the Vauxhall-Opel group, has doubled its share from 12 per cent to 24 per cent.

The survey of more than 1,000 companies by Company Secretary's Review, also showed that the Vauxhall Cavalier has taken over as the best-selling company car in the U.S. with 19 per cent of the market.

Ford's Cortina had 29 per cent in 1982 but its replacement, the Sierra, accounts for only 16 per cent, equal to the Ford Escort.

BL, the UK state-owned vehicles group, since 1982 has slipped from 16 per cent to 13 per cent of the

company car market, which accounts for at least 40 per cent, and possibly 50 per cent of total new car registrations in the UK.

BL's Austin Rover subsidiary recently introduced the Montego, a model aimed particularly at winning company fleet business. It has also set up a network of dealers to specialise in sales to the fleets.

Ford claims that its own statistics show its share of fleet sales has remained at about 50 per cent and GM's advance has not been at Ford's expense. "It is not a question of attempting to recover lost ground. We want more," the company commented yesterday.



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THE CLARKSON COMPANY LIMITED in its capacity as Court-appointed Liquidator of I.O.S. Ltd. ("IOS") and as Agent for the Public Trustee of Ontario as Administrator of the assets which were formerly the assets of Transglobal Financial Services Limited ("Transglobal"), hereby advises that a conditional compromise has been reached with the liquidators of the Mutual Funds funded by IOS, who made claims against IOS and Transglobal as creditors. The magnitude of claims of the Mutual Funds was such that, if admitted, or otherwise established, they would have exceeded the assets available in the hands of the IOS and Transglobal assets by many times.

The proposed compromise is subject to several conditions, the most important of which is sanction by each of the Courts responsible for the Estates affected. However, if the compromise is approved, and otherwise becomes unconditional, it now appears that some value will be distributable to shares in each of IOS and Transglobal.

It is anticipated that in early 1985 a detailed report concerning the proposed compromise and the status of the liquidations will be sent to shareholders who have advised The Clarkson Company Limited that they are shareholders and have provided their addresses. At that time shareholders will be asked to provide more specific information about their shareholdings in these two companies.

All persons who claim to be entitled as shareholders of IOS or of Transglobal are requested to advise Clarkson at the address below of their full name, address and numbers of shares together with certificate numbers.

The Clarkson Company Limited  
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Note: 1. Shareholders are particularly asked not to send their share certificates or bearer share warrants at this time.  
2. This notice deals only with shares in I.O.S. Ltd. and Transglobal Financial Services Limited and not with the other IOS-related companies.

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UK NEWS

**Engineering export orders up by 15.5%**

By Lynton McLain

EXPORT ORDERS in the combined UK engineering industries rose by 15.5 per cent in the second quarter this year, but the number of new orders in the domestic market fell by 7 per cent, compared with the previous three months.

New export orders for machine tools show a 25 per cent rise in the first seven months of this year, compared with the corresponding period last year, according to the latest figures from the Department of Trade and Industry.

The total new orders in the industries, covering mechanical, electrical and instrument, engineering, declined marginally, over the period.

Sales in export markets rose by 8 1/2 per cent, against 2 per cent in the UK domestic market. The electrical and instrument engineering sectors showed a 4 1/2 per cent rise in sales, but this was offset by a 1 per cent fall in sales of mechanical engineering equipment.

Order books in the three engineering industries contracted by 1 per cent as the absolute level of new orders fell below that of sales.

Export orders on hand, however, rose by 8 per cent, reflecting a 14 1/2 per cent increase in the instrument and electrical engineering industries.

Sales of metal-working machine tools rose 6 per cent in the three months to July.

Total new orders were unchanged but remained above sales in absolute terms. The total order book rose by 7 per cent over the period, with export order books up by 12 per cent.

**Brewers press for sales in U.S.**

Financial Times Reporter

UK BREWERS will be making a major promotional effort this week to stimulate the U.S. thirst for British beer.

Eight brewers will be manning the British stand at the annual convention of the National Beer Wholesalers of America, to be held in Las Vegas.

The U.S. is already Britain's biggest overseas market for beer, taking some 150,000 bulk barrels of the 458,000 barrels exported last year.

**Industry puts funds into genetic plant research**

By DAVID FISHLOCK, SCIENCE EDITOR

INDUSTRY is participating in a new experiment in transferring British science and technology into a commercial setting.

It has pledged about £15m to a Cambridge enterprise called the Agricultural Genetics Company (AGC), which aims to exploit the advanced technology of agriculture, such as the genetic engineering of plants.

The front of research this company intends to tap is the laboratories of the Agricultural and Food Research Council, the government-funded research effort in support of agricultural science in British universities, which cost a total of £100m this year.

It was seen by its founders with the former National Research Development Corporation - now British Technology Group (BTG) - as the "country cousin" of Celtech, the biotechnology company launched in 1980 to exploit the research of the Medical Research Council.

Present shareholders in AGC are Ultramar, the oil company; Advent, a venture capital company; Biotechnology Investments, the Rothschild trust and BTG.

Next month, in a private placing, three new shareholders are expected to be recruited by AGC - Ciba-Geigy, Eli Lilly and the Danish Sugar company. At the same time its

operating capital is expected to grow from £2.38m to more than £17m - sufficient for the next five years, says Dr Roger Gilmour, its chief executive.

Dr Gilmour, 42, a scientist-turned-businessman with extensive company experience, was recruited last year to develop this new initiative in technology transfer from basic research to industry. What is emerging differs substantially from other entrepreneurial biotechnology companies, including Celtech.

AGC's primary mission is to exploit the science of the Agricultural and Food Research Council, and more specifically of six of its laboratories associated with the plant sciences. These hand-picked centres of excellence are the Rothamsted Experimental Station, with a budget of £5.5m; the East Malling Research Station (£3.7m); the Plant Breeding Institute (£2.1m); the Glasshouse Crops Research Institute (£2.7m) and the John Innes Institute (£2.1m); together with the Unit of Nitrogen Fixation at Sussex University.

Altogether, AGC is dipping into plant science research costing around £19m a year, with every encouragement from its administration right up to Sir Ralph Riley, as chief executive of the research council, who sits on the AGC board. Within the six centres, Dr Gil-

mour's small management team has identified potential business target areas for exploitation in the next five years. One is the application of microbial agents to agriculture, for example to accelerate growth or control a pest. Already AGC has acquired a small company called New Plant Products, created to exploit some of these ideas.

One idea which public pressure may accelerate is the cocktail of microbes concocted by the Glass Crops Research Institute for decomposing straw, as an alternative to straw burning.

Dr John Kingsley-Pallant, AGC's director of sales and marketing, is aiming to have a commercial product ready in time for the ban on straw-burning he says he expects by 1988.

The business target that is absorbing the largest AGC effort at present is improved plants, says Dr Peter Dean, AGC's director of research and development. Dr Dean is particularly excited by the prospect of putting resistance to an insect pest into a plant by genetic engineering.

Over the next year AGC plans to fund an experiment which could show not only whether scientists have pinpointed the genes that impart insect resistance, but whether those genes can be transplanted successfully by genetic engineering.

**Scepticism over N-waste forecast**

FINANCIAL TIMES REPORTER

SIR FRANK Layfield QC, the Sizewell B power station inquiry inspector, has said he is sceptical over a forecast by a government department that approval for a new radioactive waste dump is likely within four years.

The inquiry is into the Central Electricity Board's plans for a U.S.-style pressurised water reactor at a nuclear power station on the east coast of England.

The comment came as the inquiry was told of the uncertainty surrounding the future of radioactive waste dumping in the UK.

Even the applicant for a new dumping ground was more pessimistic about the time needed for obtaining planning permission than the Department of the Environment, the inquiry heard.

A senior official in the department said at the hearing last week

that a new site for low-level radioactive waste could clear planning hurdles by 1986 and be available by 1989-91.

However, the Nuclear Industry Radioactive Waste Executive (Nirex) which will be responsible for making an application, said at the hearing earlier it could not foresee such a site being ready before 1992-3, a forecast which itself was met with some scepticism.

He told Mr Philip Critchley, Under Secretary at the Department of the Environment, in charge of radioactive waste disposal, that he considered the department's timetable unrealistic.

Mr Critchley said it was a tight timetable but one which could be achieved. He accepted there was a risk of delay.

He said his department had only recently learned that the capacity

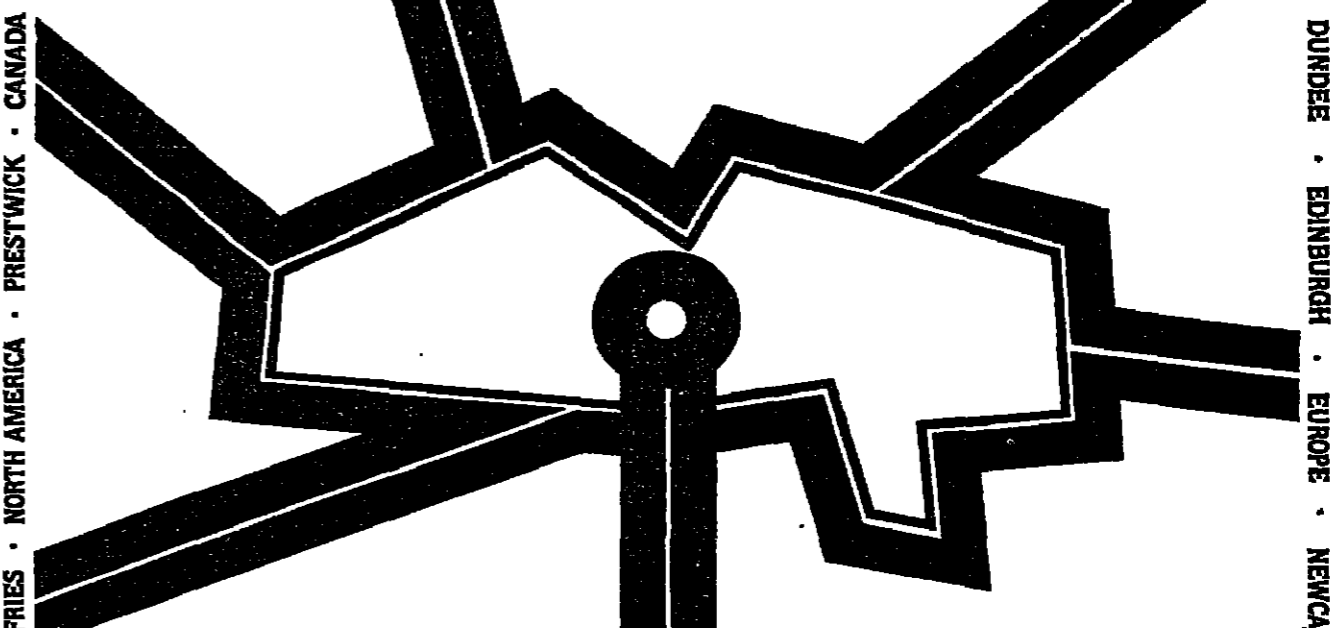
of the existing low-level waste dump at Drigg in Cumbria was being cut by nearly half because of unforeseen geological problems.

Mr Critchley said the site could be full by the year 2000 although he admitted under cross-examination by the Town and Country Planning Association that it could be as early as 1987.

Despite the need for a cut in capacity, however, the life of the Drigg site could be extended into the next century, he said. This could be achieved by either compacting the material dumped or by burying it under mounds built over trenches which were already full.

Sir Frank said he had to put a realistic programme forward to the Secretary of State about proposals not only for Sizewell B but for facilities to cater for its radioactive waste.

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## UK NEWS

Andrew Arends looks at a re-run of a Maxwell bid fight  
Waddington a leaner and fitter opponent

THERE MUST have been a collective groan in the boardroom of John Waddington, the Leeds-based board games and packaging manufacturer last week when it was announced that Mr Robert Maxwell's British Printing and Communications Corporation (BPCC) had made another takeover bid for the group.

According to figures released by Waddington, the defence against Mr Maxwell's bid last year cost the company more than £200,000 and a great deal of the directors' time. As one stockbroker put it: The Waddington board could probably "do without another bitter and bruising battle" with Mr Maxwell.

Since last year Waddington has attempted to put up barriers to any further advances from Mr Maxwell with two acquisitions, further redundancies and a £5m rights issue in June. But while most observers feel that the Waddington management has achieved a turnaround in the company's fortunes, trading conditions remain tight.

John Waddington is known traditionally as one of the leading board game manufacturers. In recent years however, this position has slipped, according to Hamleys, the leading London toys and games shop, as new products from other

companies have entered the market.

For instance this year's hot seller is the U.S. quiz game Trivial Pursuit, manufactured in England by Palitoy. Although Waddington has responded by producing its own Masterquiz, to rival Trivial Pursuit in the run up to Christmas, the U.S. game is likely to remain the market leader.

With the ever-popular Monopoly in its list of products, however, Waddington's games division still enjoys a large share of the domestic market.

Over the past nine months Waddington has made further moves into the more specialised areas of printing. In February it bought Vickers Business Forms, which prints computer paper and other business stationery. In June it acquired Quetta, a smaller company which prints stamps for both the UK and overseas markets.

Business stationery, and "security printing" (stamps, cheques etc) account for about 35 per cent of Waddington sales. This end of the printing market is expected to grow over the next few years, and despite tough competition companies such as McCorquodale, a specialist printing and packaging group, and Bem-

rose Corporation, another specialist printer, remains relatively profitable.

With the addition of Quetta, Waddington now produces about 10 per cent of stamps for the Post Office. The other 50 per cent is produced by Harrison and Sons, part of Lonbro, the multinational holding group. Waddington has been trying to obtain a larger share of the Post Office contract, and if it is successful, this side of the business could become very profitable for the group.

The future seems more uncertain for Waddington's plastic packaging division, which faces tough competition from larger companies such as Bowater, the paper packaging and building products group, and Metal Box, the packaging and central heating group. Market conditions are tight and most manufacturers have been hit by the increased cost of raw materials as the pound has fallen.

Waddington, however, is trying to carve out a niche for itself on the plastics side, particularly in oven and microwave over-proof materials. And although the UK market offers some potential in this area, Waddington is looking mainly overseas.

Its new oven-proof plastic trays are at present being test-marketed in the U.S. However, it will take years for sales volume to reach a level where it will make a significant contribution to Waddington's profits.

The future is more clouded on the paper packaging side. This division overlaps with Mr Maxwell's BPCC, particularly in the production of labels on cardboard cartons.

One of the problems Waddington faces in this area, according to one analyst, is that it is not big enough to get the economies of scale in production available to the larger companies. Conditions on the packaging side are very tight, with companies such as DRG, the paper packaging and engineering group, and Metal Box having a very strong presence.

One of the beneficial effects of Mr Maxwell's bid for Waddington last year was that it forced Waddington's management under its energetic managing director Mr David Perry, to make the manpower cuts and rationalisation necessary to get the company back on track. Waddington is now thought to be in a much stronger position than it was when Mr Maxwell launched his first bid.

## BUSINESSMAN'S DIARY

## UK TRADE FAIRS AND EXHIBITIONS

November 5-8  
Offshore Inspection, Repair and Maintenance Conference and 6th AODC Underwater Engineering Symposium (01-549 5831).  
Aberdeen

November 10-18  
Daily Mail International Ski Show (0634 660882) Earls Court

November 11-15  
International Domestic and Contract Textiles Exhibition (01-572 2121); and International Furniture Show (021-730 4141).  
NEC, Birmingham

November 20-22  
Fluid Handling Exhibition and Conference — INTERFLOW (01-680 7325).  
Harrogate

November 20-22  
International Exhibition on Computers and Communications in Investment, Banking and Insurance (01-588 4465).  
Barbican Centre

November 20-25  
International Construction Equipment Congress and Exhibition (01-637 2400).  
NEC, Birmingham

November 25-December 3  
World Travel Market (01-643 8900).  
Olympia

November 25-30  
Electronic Displays Exhibition and Conference (0290 815285).  
Kensington Exhibition Centre

December  
Royal Smithfield Show and Agricultural Machinery Exhibition (01-235 0215)—trade only on Dec. 2.  
Earls Court

December 4-15  
Energy Efficiency in Building Exhibition (01-436 8222).  
Building Centre, Manchester

December 5-7  
UK Tax Congress and Exhibition — TAXFAIR (0403-58113).  
Wembley Conference Centre

January 3-15  
London International Boat Show (0932-54511).  
Earls Court

## OVERSEAS TRADE FAIRS

October 29-31  
Trade Fair for Clothing Textiles — INTERSTOFF (01-734 0643).  
Frankfurt

October 30-November 5  
International Tourism, Hotel Facilities & Construction Materials Exhibition INTERHOTEL (01-228 2395).  
Beijing

November 1-5  
International Exhibition of Office Equipment Furniture and Stationery — OFFICE (01-683 1158).  
Bangkok

November 11-15  
Industrial Development Exhibition — SAUDI INDUSTRY (01-498 1951).  
Riyadh

November 16-25  
International Trade Fair (Consumer Goods) — FINNCONSUM (01-486 1951).  
Helsinki

November 15-22  
Middle East Building Materials and Construction Industry Exhibition — ASABUILD (01-464 1961).  
Bahrain

November 21-25  
Offshore Industries Exhibition and Conference — HOLLAND OFFSHORE (01-437 2178).  
Amsterdam

November 27-29  
Underwater Technology Exhibition and Conference — SUBSEA (0923 77811).  
Rotterdam

November 27-December 1  
International Hardware Exhibition — HARDWARE (0494 77444).  
Kuala Lumpur

December 14-20  
New Year's Fair (01-486 1951).  
Zagreb

## BUSINESS CONFERENCES

October 29-30  
Business Research International: The London international corporate finance conference 1984 (01-637 4383).  
Royal Garden Hotel, W8

October 29-31  
Conference Services: Convention of the Bureau International de la Récupération (01-584 4236).  
Grosvenor House Hotel, W1

October 30  
Institute of Taxation: Tax and financial planning opportunities — 1984-85 (01-235 8947).  
London

October 31  
Institute of Directors: The insurance jungle—a way through (01-539 1253) 116 Pall Mall, SW1

October 31-November 1-2  
Intec: Small computers in Europe conference (01-637 9986).  
Royal Garden Hotel, W8

November 1  
City Business Conferences: Swap financing (01-727 3120).  
Glaxo Hall, SE1

November 5  
IMEDE: Developing world-class management for world-class banks (010 4121 28712).  
Lausanne

November 6  
Simon & Coates: Seminar on economics and investment prospects for 1985 (01-588 3644).  
Barbican, EC2

November 6  
Stanford Hall Associates: Guidelines for company plans and budgets—the UK economy in 1985 and 1986 (01-569 6044).  
Centre Point, WC1

November 7  
Business Briefings: ECU—the Commercial use of the European Currency Unit (01-381 1284).  
City Conference Centre, EC3

November 8-9  
FT Conference: The second professional personal computer conference (01-421 1335).  
Royal Lancaster Hotel, W1

November 9  
The Institute for Fiscal Studies: Competition policy (01-528 7546).  
Regent Palace Hotel, W1

November 14  
The Henley Centre for Forecasting: Corporate plans—forecasts for business (01-383 9981).  
Dorchester Hotel, W1

November 14  
Business Briefings: Manufacturing abroad (01-861 1894).  
City Conference Centre, W1

November 27  
DIBC (UK): Foreign exchange dealing and money market dealing (01-788 1146).  
City Conference Centre, EC3

November 27-29  
British Nuclear Energy Society: Radioactive waste management (01-930 5454).  
Bloomsbury Crest Hotel, WC1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

# How many years experience in business systems can our competitors boast?



The majority of our competitors in the field of business communications systems are still very much in their infancy.

Which, you have to agree, puts them at a distinct disadvantage.

You see, at GEC Reliance, we've been pioneering world beating technology products for well over 65 years.

It's the kind of experience that's proving invaluable in a world where technology sometimes seems to be moving almost too fast for its own good.

Most important of all, it's the kind of experience that shows in the way we go about things.

Instead of rushing prototypes into mass production, we'd rather deliver you a product that's thoroughly tried and tested.

Instead of deserting you once we've clinched a sale, you'll find we're always on hand to do a bit of hand-holding,

and sort out any teething problems.

Finally, you won't encounter any language barriers when you talk to GEC Reliance.

Not only will you find that we talk plain English, but the kind of English that was meant for businessmen and not technocrats. It makes even the most complicated of products very easy to grasp.

If you'd like to put us to the test, then why not get in touch with us at the address or telephone number below.

And we'll show you a whole range of products designed to make your office more efficient.

It's the kind of proposition that should appeal to any fully grown businessman.

**We've been good for business for a very long time.**

## Financial Times Conferences

THE SECOND PROFESSIONAL  
PERSONAL COMPUTER CONFERENCE  
London — 8 and 9 November, 1984

Mr Bill Gates, Chairman of the leading U.S. software house Microsoft and one of the most influential figures in the personal computer business, will give the opening address. The star-studded list of speakers includes Mr Ken Rosen of Compaq Computers, Mr Susumu Aizawa of Epson Corporation, Mr Mitchell Kapor of Lotus Development Corporation, Mr Mike Murray of Apple Computer Inc. and Mr James J. Edgerton of Entré Computer Centers Inc.

VENTURE CAPITAL FINANCIAL FORM  
London — 3 and 4 December, 1984

This event, arranged by the Financial Times and the British Venture Capital Association, provides a unique opportunity for investment managers to meet some of the leading venture capital backed companies in Britain. After short presentations from some 30 companies in the mornings, maximum time will be allowed in the afternoon for private meetings between delegates and participating companies from the following sectors: Biotechnology, Computers and Micro-Computers, Electronics, Instrumentation, Process Control and Software.

THE FINANCIAL TIMES  
EUROPEAN GAS CONFERENCE  
Vienna — 11 and 12 December, 1984

Following a successful gas forum in Venice in 1982, the Financial Times is pleased to announce its European Gas conference in Vienna on 11 and 12 December. Chaired by Mr G. Kardana and Mr Peter Gaffney, contributors will include Mr M. K. Faid, Mrs Helga Steeg, Dr Balázs Balay, M Jean Traversin, Mr Peter Vrancken and Dr John Gault. Economic and political factors, finance, supply and markets provide the agenda. Venice was acknowledged as providing useful background papers as well as expert judgment and the sponsors believe European Gas will be equally valuable.

All enquiries should be addressed to:

The Financial Times Limited  
Conference Organisation  
Minster House, Arthur Street  
London EC4R 9AX  
Tel: 01-621 1355 (24-hour answering service)  
Telex: 27347 FTCONF G  
Cables: FINCONF LONDON



THE WEEK IN THE COURTS INSURANCE

Lords provide a notable victory for freedom of expression

BY A WHISKER The Guardian last week lost its forensic cause with the Government over the Court of Appeal's order in December to hand over immediately the "secret" "secret" documents with its side-marriage which led to the designation and successful prosecution of Miss Sarah Tisdall, its leader.

The Law Lords have said that there is no distinction to be drawn between disclosure in the preliminary stages of an action before trial and disclosure at the trial. The journal's claim to protect the witness-box is as much protected as his or her newspaper if and when asked to hand over a document in the course of litigation.

More important is the court's approach to any claim to disclosure under one of the four exceptions. The law before 1981 gave a judge a discretion whether to demand an answer from a journalist refusing to reveal a source of information. Under the 1981 Act there is no discretion in the court. The judge must decide in a particular case as a question of fact whether the claim to disclosure is made out and the onus is on the party which seeks the order for disclosure to make it.

Underwriters face tax probe

BY JOHN MOORE, CITY CORRESPONDENT

THE INLAND Revenue is engaged in its most detailed investigation yet into the accounts of insurance underwriting syndicates within the Lloyd's insurance market. Under scrutiny are reinsurance arrangements by underwriters at Lloyd's and whether the premiums they have paid for those arrangements are allowable as a tax-deductible expense against profits.

On one hand, they say, they have to demonstrate to world insurance markets and the Department of Trade and Industry that the market is soundly reserved and capitalised—and, on the other, the Revenue is directly challenging some of the methods by which the security of the market is established.

The third and fourth exceptions relate to the prevention of disorder and of crime. It is one of the oddities of the law that the Government's claim was always directed to an assertion of national security consideration. It was not directed to the detection and prosecution of a crime which had already been committed by the defendant.

Another aspect of Lloyd's affairs is also under Revenue scrutiny. Each year, Lloyd's, like an insurance company, has to take a view on the amount of reserves it will need to meet future insurance claims. These through a "reinsurance to close" item, under which amounts are charged out as insurance expenditure and rolled over into the next underwriting account as a balance set aside for future insurance claims. The "rolled up" amount of Lloyd's reserves stands at £2.7bn, an increase of £600m in the last underwriting account.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND. OFFICIAL DEALINGS IN THE STOCKS ON THE STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON MONDAY, 29th OCTOBER, 1984.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 26th October 1984, and has issued to the Bank an additional amount of £150 million of each of the stocks listed below:

- 9 1/2 per cent TREASURY CONVERTIBLE STOCK, 1988
11 per cent EXCHEQUER STOCK, 1991
9 1/2 per cent TREASURY LOAN, 1990
11 1/2 per cent TREASURY STOCK, 2001-2004

The price paid by the Bank on issue was in each case the middle market closing price of the relevant Stock on 26th October 1984 as certified by the Government Broker.

In each case, the amount issued on 26th October 1984 represents a further tranche of the relevant Stock, ranking in all respects pari passu with that Stock and subject to the terms and conditions of its prospectus, save as to the particulars therein which related solely to the initial sale of the Stock.

Application has been made to the Council of The Stock Exchange for each further tranche of stock to be admitted to the Official List.

The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below:

Table with columns: Stock, Redemption date, Interest payment dates. Rows include Treasury Convertible Stock, Exchequer Stock, Treasury Loan, and Treasury Stock.

Company journals 'wasting money'
EMPLOYERS are accused of wasting money publishing "paid-for trivia" in company newspapers. Most publications did harm by showing management as a "patronising, self-glorifying lot who think employees are gullible miscreants," according to Chief Engineer magazine.

BASE LENDING RATES table listing various banks and their interest rates.

Justinian

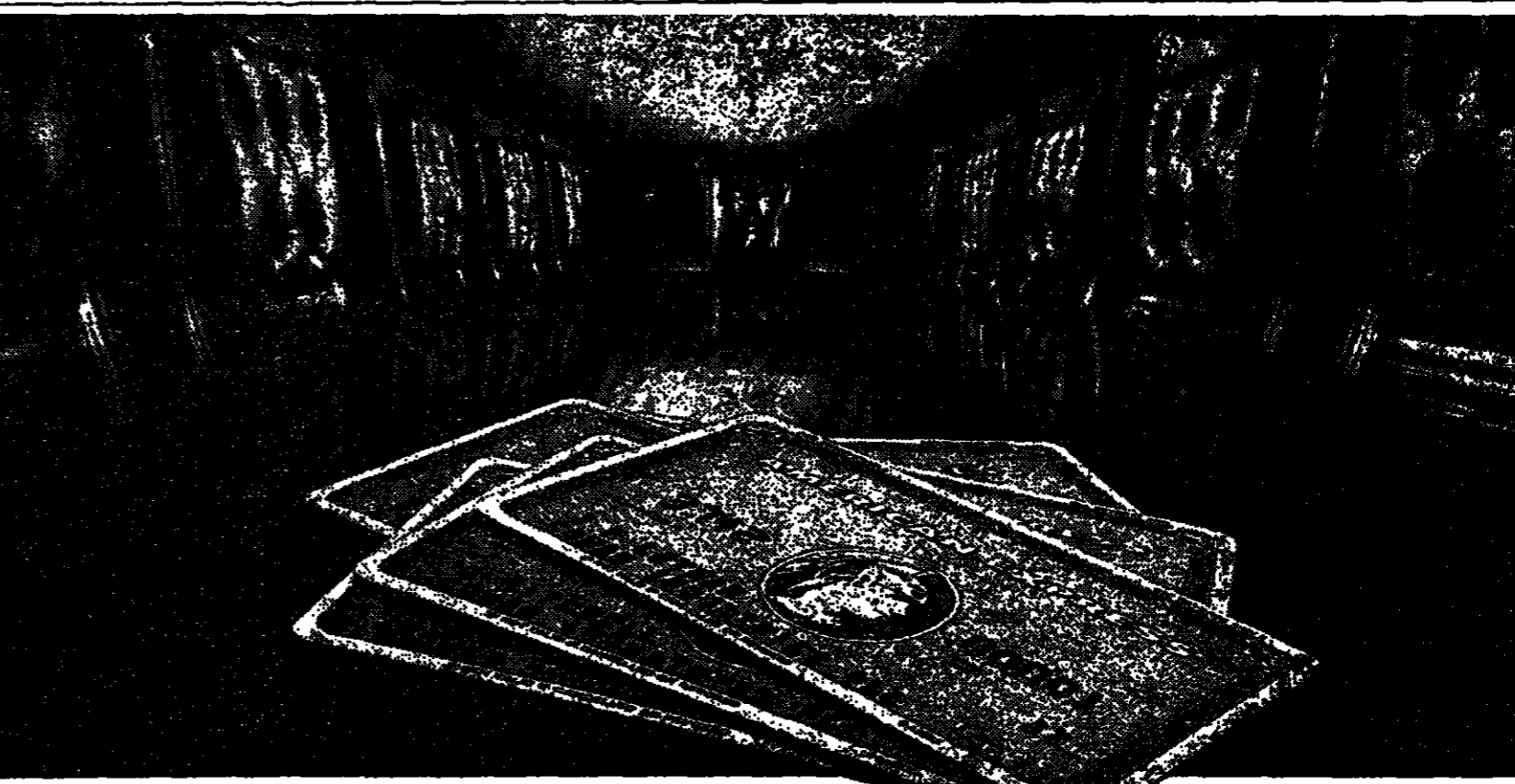
Sell shares to public, building societies urged

Financial Times Reporter
THE high street offices of building society would be a good place for the public to buy and sell shares, according to Michael Montague, chairman of the National Consumer Council.

Profitability managers 'main concern'

PROFITABILITY was the dominant concern of chief executives and was more than twice as important as industrial relations, which came last out of 12 responsibilities according to a new monthly survey by the London-based PA management and technology consultancy services group.

NOTICE OF RESUBSCRIPTION
Southern California Edison Finance Company N.V.
U.S. \$76,000,000
1984 Guaranteed Subordinated Debts 1984



Boardroom luxury? Or business necessity?
The American Express Corporate Card System.

A recent survey has shown that at any given moment no less than \$780 million of British company money is in employees' hands in the form of cash advances for travel, subsistence and entertainment. Just to service these advances costs £94 million a year from cash flows.

Cost efficient travel
The Corporate Card system is only one of the many financial management tools available to you from American Express Travel Management Services. We can help you formulate travel policies that will eliminate the hidden costs of ad-hoc buying. And with a network of over 1,000 American Express travel offices around the world, nobody is better placed to get you the best deals on fares, hotels and the day-to-day necessities of travel.

The key to increased control
The American Express approach to the management of business expenses couldn't be more simple. You provide American Express Corporate Cards to all your employees who incur expenses regularly. It gives them all the benefits of the Personal Card with one fundamental bonus for you. You get the tightest possible control over their expenses.

Action it now
Find out how the American Express Corporate Card system can be tailored to meet your company's needs. Send this coupon to Roy Stephenson, Vice President Travel Management Services, American Express, Southside, 105 Victoria Street, London SW1R 6QX.

No worries about employee misuse
The Corporate Card has another advantage which distinguishes it from the Personal Card. Accept the American Express Waiver of Liability and your company is protected from employee misuse of the Card.

Form for requesting information on the Corporate Card system, including fields for Name, Position, Company, and Address.

Advertisement for Triumph Adler featuring a circular logo with '7A TRIUMPH ADLER' and text about office communication solutions.

# TECHNOLOGY

EDITED BY ALAN CANE

## INNOVATION IN TV DESIGN

# Why the humble TV is now a coming attraction

BY ROBERT COTTRELL IN TOKYO

ON THE next television set you buy, you may be able to watch nine channels at once, freeze a frame of the one you like, or zoom in on a detail and print it out. The television set after that may be able to design battleships, do the shopping, and invite your neighbours to a party.

This common-or-garden variety consumer durable is now the nexus of technological innovations analogous to those which intervened in hi-fi audio between the wind-up gramophone and the compact disc player. Television sets in the next two to five years will receive television programmes which will look better, and sound better. Some will hang on your wall, others will fit in your pocket. They will remind you of your dentist's appointment, or display and print out the pictures which you took with your filmless camera.

Few things would delight Japanese electronic manufacturers more than a medium-term "bulge" in television sales if consumers can be persuaded en masse that their old-generation sets need to be replaced. Japan's biggest-selling consumer electrical product, the video-cassette recorder (vcr), may soon be peaking in sales growth. The outlook is good for sales of electronic components, office automation and industrial products, but analysts have been worrying that manufacturers would not find new consumer product sales to substitute for any sagging of vcr demand.

The buzzword for the new generation of television sets is "digital," a method of transmitting and storing electronic information which is more precise and more flexible than "analogue" signals. A digital signal is a series of distinct pulses. An analogue signal fluctuates in intensity. An analogue signal, converted to digital form, can be easily stored and manipulated.

Digital electronics can produce better-quality television pictures, and allow the viewer to "play" with the image

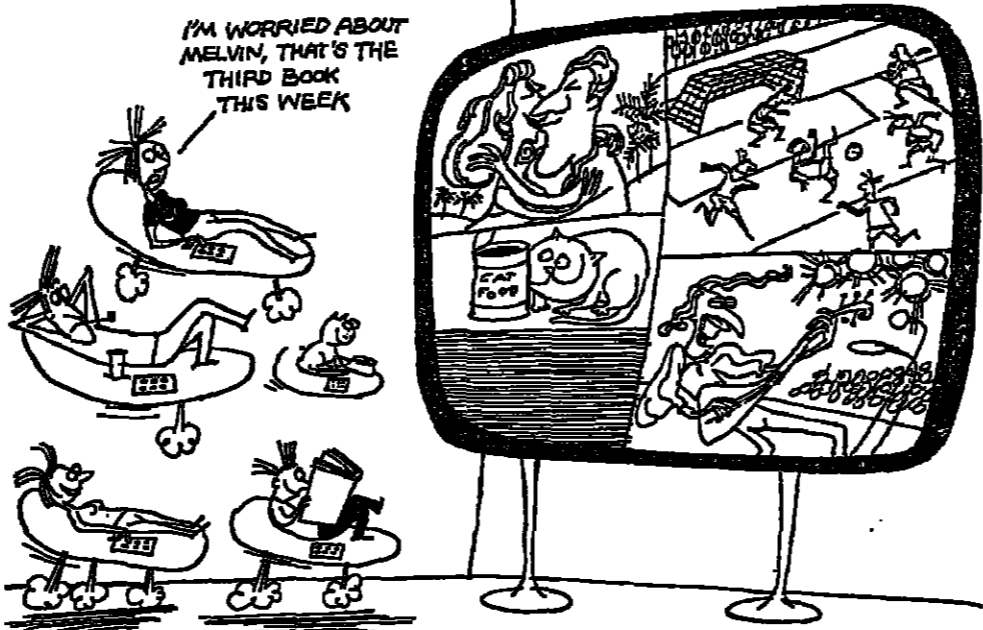
appearing on the screen. Nine Japanese companies have licensed digital circuitry developed by IRT, and the first fruits are already being announced and marketed.

Mitsubishi Electric Corporation, for example, says it plans to market a digital colour television set next year with a "freeze-frame" facility, made possible by a memory chip capable of storing digital video signals. The set will have a "windowing" facility, to display several different signals simultaneously. While one programme is being displayed on the screen, a second can be "inset" as a miniature display occupying one-ninth of the main screen. Or the screen can display nine different programmes simultaneously in a three-by-three chequerboard pattern.

Freezing and windowing are not new technological breakthroughs, but the pace of change in related electronic products is convincing Japanese manufacturers that the time is now ripe to incorporate them into standardised, mass-production televisions. Freezing, for instance, becomes useful rather than decorative when allied with a television printer. Mitsubishi Electric produced an instantaneous black-and-white printer last year. It says it has now developed the technology for a colour version.

Sony Corporation distinguishes between digital technology used to make the television a "fun" product, and used to produce a better quality picture. It is launching its "fun" television this week, a 27-inch model with a built-in electronic timer, address book and memo pad and a digital filter to sharpen picture quality. But Sony's major digital television product will be its DSC 10 digital scan converter, to be launched in December at a price of ¥200,000.

The DSC-10 is one part of a component video system, requiring also a monitor screen and a signal source, such as a television tuner or vcr. The DSC-10 duplicates each of the individual lines which make up



a television image. Japanese television uses a 625-line image, slightly coarser than the British 625-line standard, in which the grain of the individual lines is readily seen. The DSC-10 generates a 1050-line "high-density" image in which the grain of the individual lines is so fine as to be indiscernible.

The digital scan converter's significantly better picture quality means that television screens can get bigger without their pictures becoming unpleasantly coarse-grained. Sony engineers expect high-density televisions to feature typically 30-inch screens, against 20-inch or so screens for conventional models. Fine picture quality means more enjoyable viewing of television entertainment, but it also has the practical importance of allowing more data to be compressed on to a single display when the television is used as an information medium—for instance as the terminal for a Prestel-type interactive service, or home computers.

But if Sony is pointing the way towards better televisions, new display technologies are pointing the way towards smaller ones. Selko, better known as a watchmaker, with a 24-inch liquid crystal launched in spring this year a pocket-sized colour television display screen (led) Casio, better known as a calculator manufacturer, plans to launch a 14-inch led screen model next year. Casio has also produced a 6-inch flat led colour television screen as the prototype for a 12-inch wall-hanging version which it hopes to be mass-producing towards the end of

next year.

Casio and Selko have a lot of headway to make against television engineers who say that led screens cannot match the sharpness and colour of the phosphorescent tube which is today's dominant display technology. But led, they say, has exciting prospects for displays in which miniaturisation is the main criterion. How far away is the credit-card television or the portable computer with colour led screen?

Improving television sound quality has not been a technical, but a marketing problem. How to persuade consumers to invest in high-fidelity to hear the evening news? One major incentive may lie in the latest generation of videocassette recorders, led by Sony's Beta format, which offer high-fidelity stereo-phonetic soundtrack recording and replay. In a development of complementary importance, the United States has also this year set a standard for stereo broadcasting. The "compact" television with screen and loudspeakers bundled into a single housing, may soon seem as dated as monophonic audio.

All of these technological changes are aimed at making televisions which deal better with existing signal sources—primarily broadcast stations, secondarily videocassette recorders and, lagging far behind, videodisc players. Each of these sources will go through its own changes in the near future.

Videocassette recorders are now a technologically mature mass-production item, and may fall radically in price. Some analysts look forward to a

¥50,000 recorder, in Japan at least. European consumers are at the mercy of the Japan-EEC quota-fixing agreement which helps keep European retail prices high, but vcr will probably soon come under pressure from another visual storage-and-replay medium, the videodisc, championed by Matsushita (VLD format); and Sony, Pioneer and Philips (laser disc format). Discs are potentially superior to tape for both quantity and quality of information storage. So far, however, only disc players are available as consumer products. The video disc's true advance into the home will begin when a home-recording technology is standardised for mass-production.

Television broadcasting is itself changing, with cable and satellite delivery systems gaining ground. The state-funded Japan Broadcasting Corporation has developed a technique, called MUSE, for broadcasting true high-density television—as opposed to the "pseudo high-density" produced by Sony's DSC-10. Engineers guess it will be anything up to 10 years before at least the Japanese and U.S. television industries have standardised and switched mainstream broadcasting over to a true high-density format.

By that time, in Japan at least, the television set will be an integral part of a new nationwide communications project called "information network system," aimed at linking together every piece of communications equipment typically found in the home or office, including computers, fax machines, telephones, telexes and others not yet invented.

## Semiconductors Chip makers invest in automation

SPENDING on automated equipment for fabricating silicon chips in the U.S. is expected to grow sharply as American manufacturers take steps to improve the quality and quantity of their products.

Intel, Texas Instruments and IBM are expected to spend over \$300m each this year on automated equipment for the production and processing of "wafers," the disc of silicon on which the patterns which determine the characteristics of the individual chips are printed.

U.S. manufacturers are expected in total to spend some \$3.5bn on this kind of equipment up from \$2.5bn last year. These figures come from a new report published by Frost and Sullivan, the New York based market research firm.

The report suggests that spending on hardware and software for controlling the accuracy of wafer production and movement of wafers through semiconductor plants will grow by an average of 30 per cent a year to 1993.

U.S. worries over competition from heavily automated Japanese producers underlie these ambitious spending plans. Factory management computers and networks dominate spending patterns today, but spending on real time process monitors which track operations carried out on wafers is expected to draw level by 1993.

Devices for moving the wafers from one part of the factory to another—tracks, tunnels and robot systems—will take up the remaining one-third of the total spend.

Frost and Sullivan point out that increased automation means reduced dust contamination—human workers are the chief source of particulate contamination in factory clean rooms.

It also means fewer breakages and better production management: "Work-in-progress inventory value is very high at perhaps \$42m for a 5,000 wafer a week line. This can conservatively be cut to \$12m with automation."

The study adds: "Adding an estimated 75-100 per cent improvement in die yield and 10-15 per cent in wafer yield through reduced breakages, payback can be very fast."

The Automated Semiconductor Wafer Fabrication Market in the U.S.; \$1,550; more from Frost and Sullivan in the UK on 01-486 8377.

## Electronics Notebook watches

SEIKO of Japan continues to make the running in turning the humble watch into an all purpose wrist instrument (a name first used by Hewlett Packard for its very expensive and very limited HP-1 digital watch with red light emitting diode display).

The latest Selko can operate as an electronic notebook for storing personal information such as telephone numbers, flight and train times. Up to 1,000 characters can be stored; input is through a separate keyboard in a similar manner to Selko's Data 2000 watch launched earlier this year.

The watch can, in another mode, display daily schedules—up to 15 appointments for a single day or 43 over a 31 day period.

Each night at midnight, the watch automatically erases the last day's schedule.

The Selko "Memo Diary" will cost about \$195 when it is launched outside Japan early next year. It also tells the time.

## Genetics Designing molecules

GENETIC engineers are becoming accustomed to using computers to "design" molecules of their choice.

One of the first computer software packages for this design task has been released by the Pacific Northwest Laboratories of the Battelle Institute.

Called GAGE/GEM (computer Aided Genetic Engineering/Genetic Engineering Modelling), the package is a software toolkit incorporating computer-aided design and human factors engineering factors engineering techniques with a choice of relevant genetic engineering databases.

Scientists can use the kit to simulate and analyse the dynamic relationships between genetic elements and sequences of DNA.

Databases currently available which are suited to the system include GENBANK, European Molecular Biology Laboratory's DNA Sequence and Battelle's Genetic Database. More from Battelle in the U.S. on (509) 375 2662.

**Aren't you ready for Redditch Arrownet linked units?**

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## Materials Structural analysis

JOHNSON MATTREY may have lost its bank, but not its balance.

The equipment arm of the Johnson Mattrey group has developed a magnetic susceptibility balance for use as a research tool and as a teaching aid.

Developed in conjunction with Professor D. F. Evans of Imperial College, the balance is used to determine the valency state of a material as an aid to structural analysis.

Magnetic susceptibility is the ratio of the intensity of magnetisation produced in a substance to the magnetising force of a field to which it is subjected, and this measure can be used to determine valency state.

The device uses moving magnets and a stationary sample tube. Readout is digital and samples of only 250 milligrams can be measured accurately.

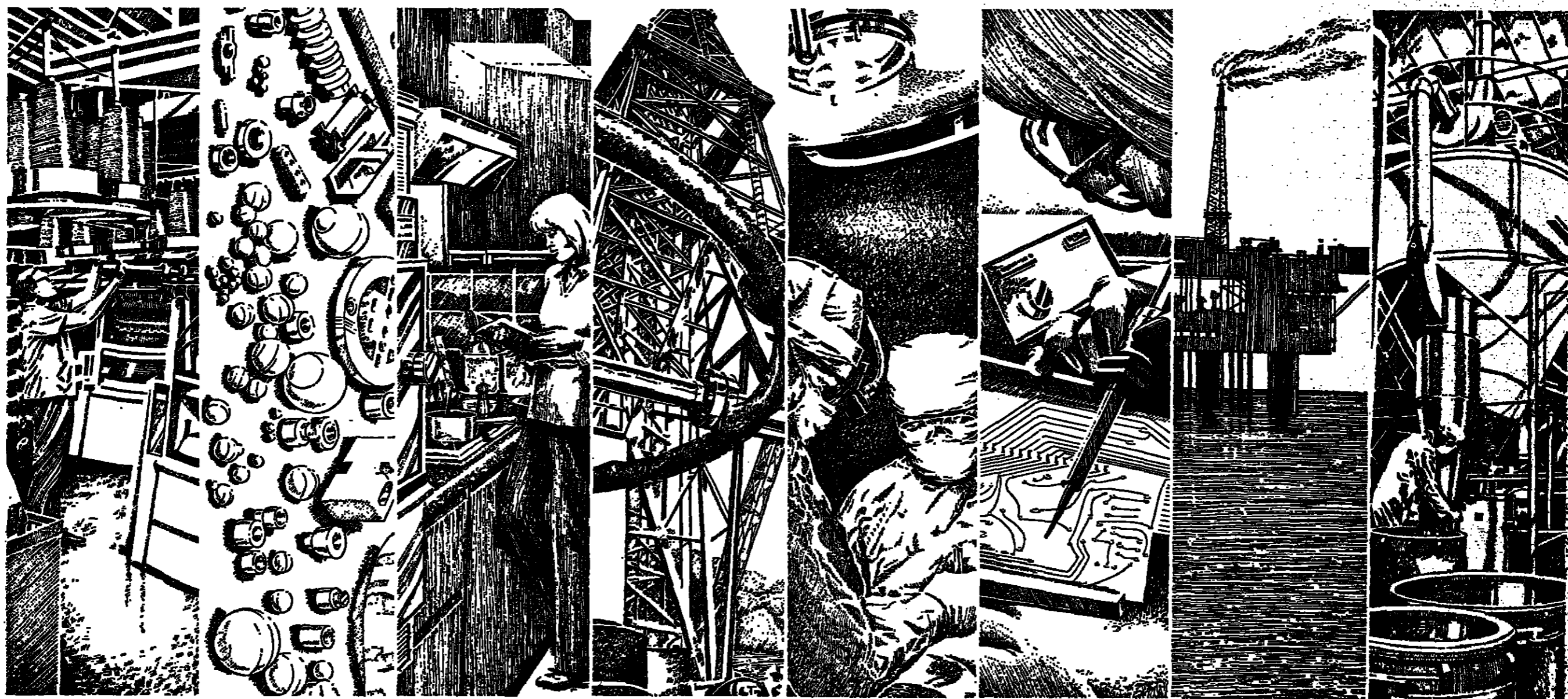
It costs £950 (plus VAT). Johnson Mattrey says a comparable Geely balance system costs between £3,000-£4,000.

## Geology Earth mapping

DYNAMIC Graphics has launched software for earth mapping and modelling aimed principally at the exploration, petroleum engineering, reservoir development departments and initiation committees of oil and gas companies, as well as operators and well logging companies.

According to Dynamic Graphics, the system—Interactive Surface Modelling—is the first earth science mapping and volcanics product that addresses the interface between the human expert and the software program. More from Dynamic in the U.S. on (415) 845-5189 and in the UK on 0774 799996.

# MATROC—the new name



Morgan Matroc Ltd combines all the European technical ceramics operations of The Morgan Crucible Company plc under a single identity.

Morgan ranks high as a world force in technical ceramics. The comprehensive Matroc range includes high purity oxide ceramics, the recently developed toughened ceramics and non-oxide

ceramics, such as silicon nitride, as well as traditional steelfite and corundite.

Whether your application is, for example, automotive, consumer durable, heating systems, electrical switchgear or transmission—or perhaps textile machinery, defence equipment or medical implants—one name provides the solution to your problems.

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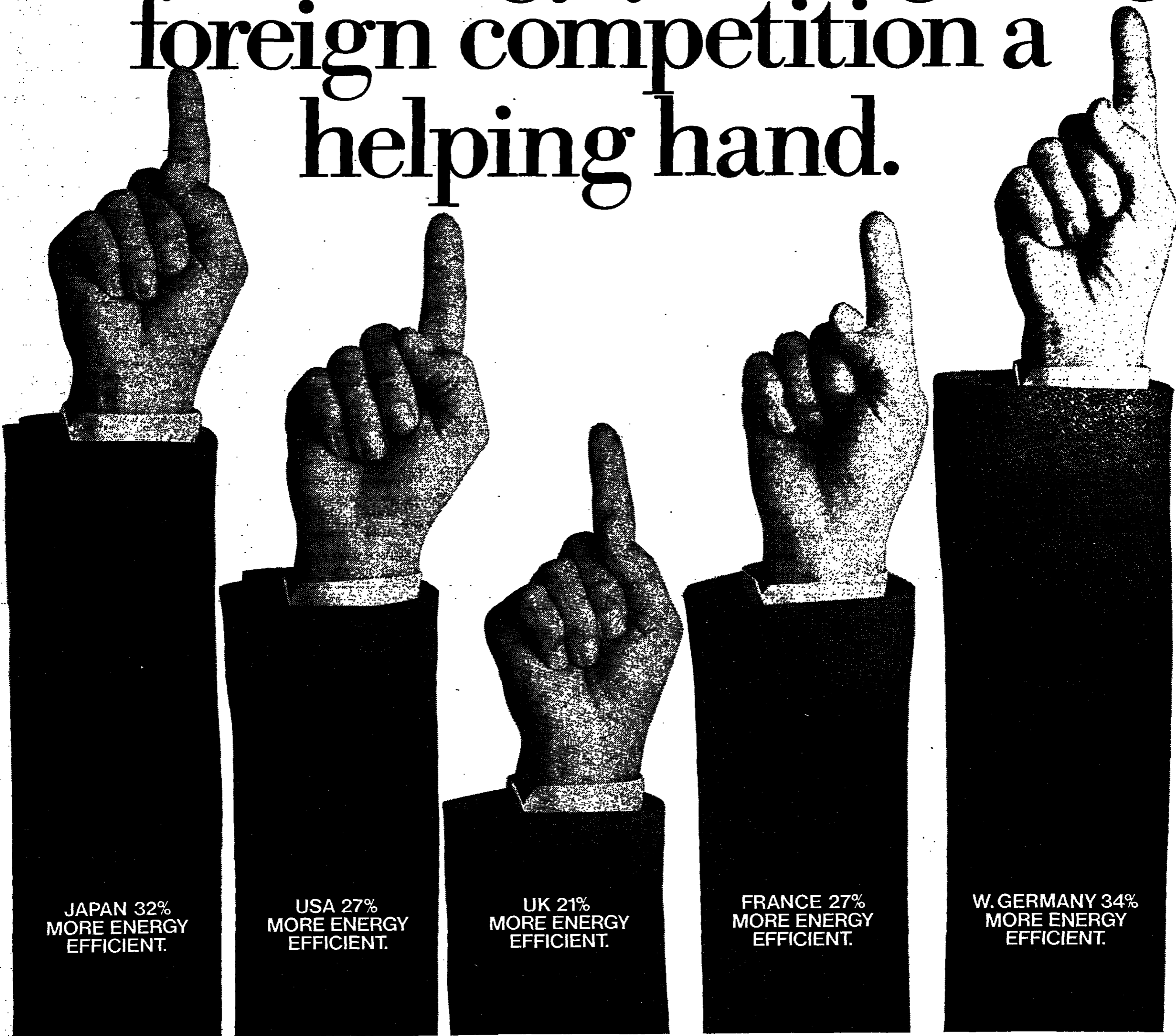
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THE MANAGEMENT PAGE

# How Satellite 'helps them earn more'

Terry Dodsworth explains how production management in the U.S. clothing industry is being enhanced with personal computers

THE DESKTOP electronics boom that has made the average Wall Street office look something like the cockpit of Concorde has not proved anything like so adaptable to the needs of shopfloor management.

But at last things are changing down on U.S. production lines as well. A few weeks ago, Cincinnati Milacron, the machine tools manufacturer, announced that it was introducing a new system of programming its computer controlled machine tools based on the IBM PC personal computer, and in the textile industry, a U.S. group is aiming to change the face of manufacturing with a device designed at Galashiels in Scotland.

Willcox & Gibbs, once a manufacturer of sewing machines, is planning to market a machine called Satellite, which is the brainchild of three Scottish electronics engineers who set up their own company, Eildon Electronics, three years ago. Satellite grew out of Checkmate, an earlier product that has a proven record of improving productivity in the U.S. apparel industry.

Apparel manufacturing has some peculiar characteristics which have made production in the industry difficult to automate and control. Because companies typically make a huge number of different products, manufacturing is usually labour-intensive. The industry also tends to use piecework payment

systems because the method of output is on a batch rather than an assembly line basis.

There are a number of weak points in such a system. First, workers set their own pace of work, which may not be ideal either for them or for the factory as a whole. Second, the payment for piecework involves a laborious process of collecting marked up work slips. Third, it is extremely difficult to spot potential bottlenecks before they occur, so that stocks tend to build up to a much higher level than should be strictly necessary.

Checkmate set out to attack only the first of these problems. It is a deceptively simple electronic device in which individual workers key in their own output every time he or she finishes a batch of materials. A small screen then displays the operator's target production alongside his or her actual output and the percentage of the target achieved.

Although Checkmate looks like an extremely obvious motivational device, Willcox & Gibbs claims that it has been highly effective. Far from objecting to something which effectively makes them work harder, operators appreciate an aid which "helps them earn more," says John Ziegler, the president.

Willcox claims that productivity improvements, measured in output per unit of time, has gone up in different companies using Checkmate by between 10

and 40 per cent and the company is so confident that it can achieve improvements that it guarantees a 10 per cent increase. If productivity fails to rise by this amount, it will take the machines back—something it has never had to do, it says.

Satellite takes this electronic measurement and motivational idea one step forward. The new machine does all the things that Checkmate is capable of, but it can also be linked to an off-the-shelf personal computer. As a result, the entire factory floor can be tied up to a central processing unit, giving management much more control over the production process.

According to Ziegler, the U.S. apparel industry has been seriously trying to tackle its control problems in piecework plants by using electronic data processing systems for the last four to five years. Yet even today, many factories use the traditional methods of ticketing bundles—which can amount to 250,000 items at any one time in a big plant—to keep a track of work in progress.

At the end of the day, the tickets are collected, marked off by the individual operators. The information collected in this way is then collated so that managers can plan the next day's operations and draw up individual payrolls.

The new Eildon machine will, however, be capable of providing all this information electronically. The operators will continue to count completed bundles, but they will



do it electronically, thus generating information which can be fed into the computer.

At the same time, this information can be linked to similar facts coming in from elsewhere in the plant to give management a real-time view of the production process. The idea is to give managers the ability to intervene and sort out problems as they occur, thus breaking down bottlenecks and reducing inventory levels.

"With the software we have designed, departmental managers or supervisors can tell what the status of production is in every part of the plant," says Ziegler. "A personal computer will be powerful enough to collect and summarise this sort of information and if you wanted to go further, you could go to a higher system without buying a dedicated mainframe computer."

Ziegler says that U.S. apparel manufacturers have already installed other, highly sophisticated data processing

systems, which have proved effective. But these take some time to develop, and generally deliver information only after the event because the figures are processed overnight on a big mainframe computer. They also tend to be expensive.

The attraction of the Eildon process is that it is simple to install, easy to operate and brings control right down to the factory floor in real time. It is also relatively cheap—Willcox is currently using the Zenith personal computer, which costs around \$3,000 as the centrepiece of its system.

"We know of one large company which spent \$500,000 to install a real-time system for 150 sewing machines, or around \$3,300 a machine. The group is satisfied with the results, but cannot justify spending the same amount elsewhere," says Ziegler. "We shall give it the same efficiencies for around \$660 a work station."

The unknown factor is how

robust the system will prove in operation. Willcox has won its first contract and should have its first unit up and running by the end of the year.

If that proves a success, Willcox believes that there are at least 200 and as many as 300 plants using around 190 sewing machines in the U.S. alone—giving it a potential market of between \$20m and \$30m on its present prices. In addition, it is aiming at overseas markets, and other similar labour-intensive industries, such as electronics assembly.

"If the product lives up to its promise, it would clearly provide a substantial boost to Willcox, which only eight years ago was operating under the U.S.'s Chapter 11 bankruptcy proceedings. It would also help the three Scottish founders. They sold out for an undisclosed sum under an agreement which will yield more payments if the Eildon products generate profits of a specific level.

## Management abstracts

Can your new product pass this test? B. Donah in *Business Marketing* (U.S.), July 1984. Describes a new product screening questionnaire, aimed at assessing a product's competitive advantage, compatibility with prospective customers' corporate values/current technology, and potential risk; claims it provides an objective dimension to a new product launch decision. Uses involvement in building design. M. Meade in *The Architects' Journal* (UK),

11 July 1984. Describes the background to the design of the new headquarters building for a French Co-operative bank—the Banque Populaire at Cahors—which involves the architects in consultation and participation with a series of study groups—staff, customers, local dignitaries, shareholders, and management. Describes the features of the site and final building. Posting salaries openings. J. W. Miller in *Business Horizons* (U.S.), May/June 1984. Examines the practice of job posting (the internal advertising of salaries vacancies) and warns that it carries risks—delays in filling vacancies,

reducing the scope of management discretion, dissatisfaction among unsuccessful candidates; discusses some more acceptable alternatives to job posting, e.g. simultaneous internal and external advertising. Doing business in France—succesfully. J. Speary in *The Accountants Magazine* (Scotland), July 1984. Summarises the market, staff, financial, administrative, and sid considerations when intending to set up operations in France. Product launch. B. Donah in *Business Marketing* (U.S.), June 1984. Outlines a critical path analysis method for planning a new product launch programme,

covering financial evaluation, launch, and results, evaluation leading to development of a long-term marketing programme. Controls for saving light. The *Architects' Journal* (UK), 1 August 1984. Stresses that although lighting is an important part of total energy consumption in many non-domestic buildings, little attention has until recently been paid to ways of cutting out waste and saving energy. Describes four ways of controlling light using time switches, photocells, occupancy sensors and localised switching. Shows how Bradford and Portsmouth City Councils introduced monitoring

systems which saved energy and costs. Annual reports as aids to communication. D. Haggie in *Accountancy* (UK), August 1984. Argues that annual reports should not be dull and boring presentations of company finances which "hide" unpleasant truths and highlights good points; instead they should be stylish and powerful in order to give authority and to stand out from others. The impact of crisis on managerial behaviour. S. St. P. Slater in *Business Horizons* (U.S.), May/June 1984. Describes how crisis (whose

existence is often ignored or first denied) hits the management of a company, how the organisation first disintegrates and then collapses, and how—eventually—the organisation can recover from crisis; contends that a new chief executive is necessary to ensure recovery. These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £3 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

## Managing design

# A demanding curriculum

Christopher Lorenz on a new polytechnic course

TECHNOLOGICAL innovation could be exploited "much more effectively" in Britain if senior industrial managers made better use of design. "We have in this country many talented designers, capable of responding imaginatively to changing consumer demand."

This was how the Prime Minister, Mrs Margaret Thatcher, earlier this month launched "Managing Design," an initiative to make product design a "core" subject in postgraduate education at polytechnics and colleges. Its aim is to create a new generation of managers who, unlike most of their predecessors, recognise what has been dubbed "the pathway of the product" to their company's commercial success.

The project is the latest in a three-year stream of government-backed moves to promote the use of design in industry; though most of them have emanated from the Department of Trade and Industry, they have had unusually strong personal support from the Prime Minister herself.

The initiative is being jointly financed by the Government and the Council for National Academic Awards, the body which supervises courses at polytechnics and colleges. It will get under way next autumn with pilot courses at Kingston, Leeds and Leicester polytechnics, as well as in the educational world that they are likely to be followed by many of the 50 other polytechnics and colleges which offer CNAA postgraduate management programmes.

But what will be taught, and how will it be fitted into an already crowded curriculum? How, in other words, will this educational revolution be achieved?

The declared aim of the CNAA is that at least 5 per cent of course time should be devoted to design. Ideally, it argues, the ratio should be 10 per cent, giving design the same amount of coverage as "traditional" core subjects such as finance and accounting, marketing or operations management. That means, of course, that something will have to give; other core subjects will have to be trimmed.

At the London Business School, which has pioneered the teaching of design to students of business administration, the "elective" (optional) nature of the design course has left the choice of what to drop to the students themselves. But in the case of polytechnics and colleges it is the educators who will have to make this difficult decision over the coming months.

The outline curriculum already drawn up by the CNAA is certainly demanding. Described in detail in a report published to coincide with the launch of the initiative, it covers also different topics: design in an economic and business context; the nature of design work; design and product strategies; design policy making; research design and product requirements; managing design projects; elements of design work; evaluating design results and legal and quasi-legal aspects of design.

Though some elements of this programme are already taught on certain courses—namely marketing and operations management—most of them are not. The CNAA report says that the "transfer" of such topics to the design curriculum, and their subsequent enhancement, would allow new material to be introduced into the existing courses; alternatively, the existing expertise could be used more fully and effectively.

The report calls for a substantial degree of interdisciplinary teaching, with polytechnics and colleges drawing on their current pool of design teachers to provide practical input to the courses. It also suggests that business students and design students should work together on certain projects.

Drawing extensively on the experience of other countries—particularly West Germany, Italy, France, the Netherlands, the U.S., Canada, Japan and Hong Kong—the report concludes that "a definite concern about the role of design in international competitiveness is everywhere evident." Managing Design. Single copies free from CNAA, 344-354 Gray's Inn Road, London WC1X 8BP.



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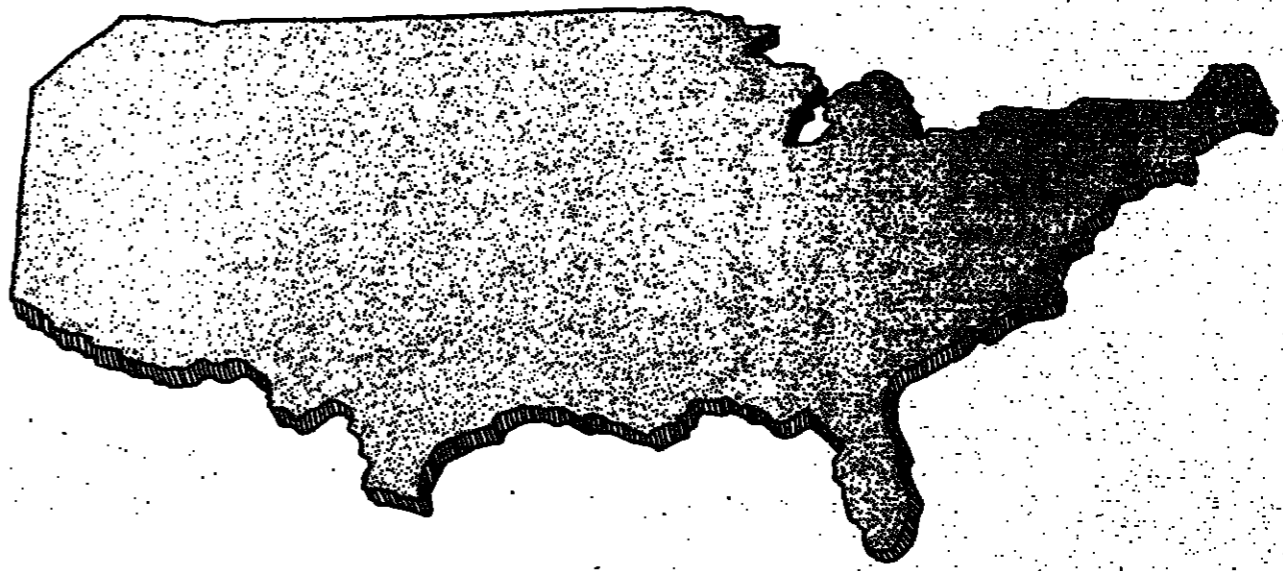
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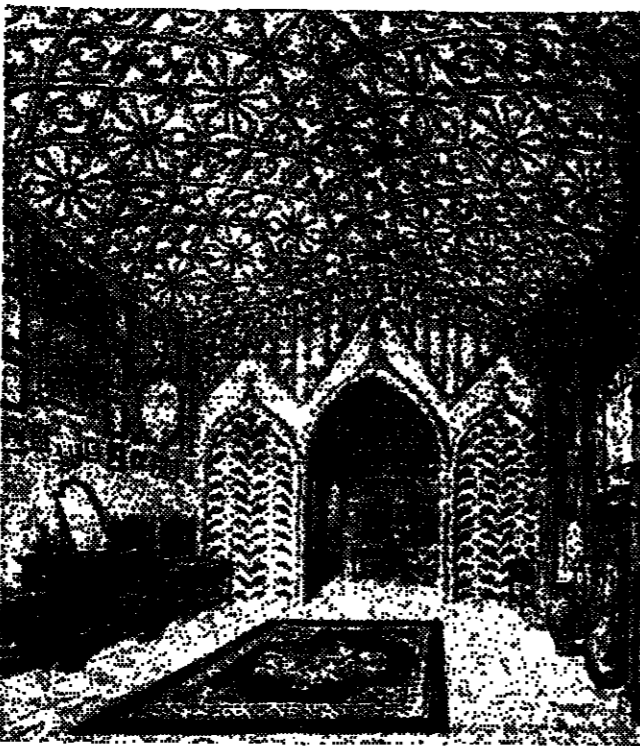
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THE ARTS

Architecture/Colin Amery  
Closely observed rooms



Horace Walpole's purple and white bedroom at Strawberry Hill, an antiquarian exercise of 1783

It was Sir Henry Wotton writing in his Elements of Architecture in 1624 who described a man's house as "the theatre of his hospitality, the seat of his self-fruition and the comfortable parts of his own life..."

There have been in the 300 years under consideration numerous opportunities for friction between the "upholsterer" (later to be transformed into the decorator) and the architect...

Ideas as the quality of the decorator's imagination displayed in these pages reveals. It is important to stress the range of the book. It is divided into six sections, each covering 50 years and deals with most of Europe and the US.

Cheltenham Festival

Alan Forrest  
The Cheltenham Literature Festival always seems to present some of life's little ironies. A couple of years ago when Enoch Powell delivered a fairly innocuous lecture on George Orwell...

The Voyage Inheritance/Bristol

B. A. Young

Who but Harley Granville Barker could make such a wonderfully exciting plot out of the failure of a solicitor's practice? Its opening scene, showing a lawyer talking business in their office, is positively melodramatic.

The first new production of Welsh National Opera's 1984-85 season is Don Giovanni, which opened on Saturday in the New Theatre, Cardiff.

Critics and others occasionally spout pious remarks about the contrast to his more subservient, anxiously newly-wed Thyestes.

Don Giovanni/Cardiff

Andrew Clements

Anyone who goes to this Giovanni expecting a production conceived entirely in doctrinal socialist terms, or even a presentation owing allegiance to the concepts of the epic...

A Midsummer Night's Dream/Leicester Haymarket

Michael Coveney

Critics and others occasionally spout pious remarks about the contrast to his more subservient, anxiously newly-wed Thyestes.

Chess/Barbican Hall

Martin Hoyle

Walter Legge has much to answer for. In the early 1980s he took advantage of the starry forces assembled to record Mozart operas for EMI.

Walter Legge has much to answer for. In the early 1980s he took advantage of the starry forces assembled to record Mozart operas for EMI.

though to break all records in getting through the opera, and while tempi throughout remained on the brisk side there was some curious dalliance for the lady's arias towards the end of the opera...

Brief notes only on the principals - an energetic, vocally dominating Giovanni from William Shimell...

The trio of ladies was more problematical. Anne Evans began well as Anna, only to lose some security in the second act...

All aspects of this production, though, will deserve the closest possible attention when WNO visits London in December.

Rita and Pepito/St John's

Ronald Crichton

London Chamber Opera is an offshoot of Opera Players who take small-scale productions to young audiences and to places where live performances are scarce or non-existent.

(Rebecca Moseley-Morgan and Edmund Bohan) a few uncomfortable moments in otherwise agreeable, conventional performances.

Gavrilov/Barbican Hall

Dominic Gill

The young Soviet pianist, Andrei Gavrilov, opened his all-Chopin recital on Wednesday with a performance of the G minor Ballade full of bursting with the worst sort of rubato mannerisms.

In a group of six Etudes from op. 10 Gavrilov was unstoppable (except to take an eager bow after each and every item).

know that Miss Paige emits her familiar ear-splitting wail at the usual cost of vocal colour.

The album will resound through many a suburban front room, shaking the Tretchikoff from the picture rail.

Among the productions which started at the Latchmere are Peter and Lucia in Las Vegas; Gulliver's Travels and Down and out in Paris and London.

lighter touch to the orchestra (though without a pit he could not produce the sound enough for the spoken melodramas)

minor andante Etude (which I should have imagined almost vapid-proof) with great welts of pianissimo rubato.

Visually, the keyboard manner owed much to the TV wrestler's repertoire of fake gestures: even before the last chord of the C minor Etude had died away, with a shiver and a shake he was up on his feet, grinning and triumphant.

Arts Guide

Music

ITALY Rome: Teatro Olimpico, Piazza Galle. Music: Teatro Olimpico, Piazza Galle. Music: Teatro Olimpico, Piazza Galle.

NEW YORK New York Philharmonic (Avery Fisher Hall) 8pm. Music: New York Philharmonic (Avery Fisher Hall) 8pm.

WASHINGTON National Symphony (Concert Hall) 7.30pm. Music: National Symphony (Concert Hall) 7.30pm.

CHICAGO Chicago Symphony (Orchestra Hall) 8pm. Music: Chicago Symphony (Orchestra Hall) 8pm.

VENNA Aladar Pego Quartet from Budapest with Martha Szaboky, piano, Aladar Pego, double bass, Vivaldi, Handel, Kodaly, Bartok and Jaz. Concerthaus, Mozart Saal (Mon) (72.12.11).

TOKYO The King's Singers in a concert of European songs including madrigals, popular songs of 18th and 19th and romantic music from Norway, Showa Women's College, Hitomi Memorial Hall (Mon) (463.8011).

WEST GERMANY Frankfurt, Alte Oper: A piano recital with Dmitris Spingos, Scarlatti, Chopin, Liszt, Brahms and Balakirev (Wed).

THEATRE/OPERAS/BALLET/LECTURES/MUSIC/EXHIBITIONS/Thursday, A selective guide to all the Arts appears each Friday.

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**FINANCIAL TIMES**

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Monday October 29 1984

**Europe moves on defence**

**T**HE GOVERNMENT'S economic strategy must deliver 20,000 new jobs each month—equivalent to two companies the size of Jaguar—simply to stop unemployment rising further.

This increase in jobs is needed just to absorb the youngsters on special training schemes and the extra people coming on to the labour market. It illustrates the problem facing ministers as pressure mounts from all sides for them to "do something" to help the unemployed.

But the Prime Minister's determination to hold fast to the present anti-inflationary strategy means that the Government's options are severely limited.

The increasingly pessimistic mood within the Treasury has been reflected in the sombre tone of recent utterances by Mr Nigel Lawson, the Chancellor of the Exchequer. He said in a television interview a week ago that there was "very, very little" that governments could do to influence unemployment. He went on to draw an analogy with the helplessness of government in the face of a rising crime rate and said he "wanted to be home with the nation" about the difficulties.

This pessimism is by no means confined to the Tories. Mr Roy Hattersley, Labour's Shadow Chancellor and deputy leader, was notably cautious in an important speech recently about the speed with which the dole queues could be reduced. The Labour prescription relies heavily on the crucial importance of restraining wages growth and on maintaining company profitability for any job-creation programme.

Even with an incomes policy and much more stringent import controls, the speed of a "Hattersley refutation" would be constrained by the need to avoid a starting crisis and accelerating inflation.

Mr Lawson, of course, refuses to consider import restrictions and is very pessimistic about the effectiveness of incomes

policy.

But the Treasury and other key departments are already hard at work to find remedies for unemployment which do not upset the Government's principles. Politically, the Government knows it has to demonstrate a more vigorous and caring approach.

The agenda for civil servants and ministers divides roughly into two parts: emergency first aid and longer-term cures.

In the immediate future ministers are considering ways to reduce the published unemployment figures by new measures (statistical or otherwise) like those announced over the past three years. These have included the expansion of youth training and special employment schemes as well as the removal of men over the age of 60 from the unemployment register.

There was also a change in the method of counting the unemployed which, although justified on other grounds, also had the effect of reducing the published number.

A further big expansion of training for young people under 18 has the double appeal of reducing youth unemployment and helping to rebuild the pool of skilled labour available to industry. An extension of schemes to subsidise the employment of young people and close examination of the labour content of public-sector investments projects will also be studied.

But when all these schemes have been taken off the shelves, dusted and perhaps given new life, the problem of providing "real" jobs will remain. Special training schemes, however

valuable in themselves, only postpone the day when youngsters must find permanent employment.

The second and more important agenda, therefore, is about how to increase the rate at which the economy creates jobs in the medium to longer term.

The starting point here is the Treasury's conviction that the main enemy of jobs is an excessively rapid rise in real wages, and that if this can be moderated unemployment will fall.

Last year average earnings in the whole economy went up by about 2½ percentage points below the rate of inflation, and earnings in manufacturing fell by nearly 4 percentage points more than inflation. Almost as serious as the rise in wages is the lack of flex-

ibility within the wages structure, particularly affecting young people.

The programme for creating jobs must therefore look at ways of removing rigidities in the labour markets which inevitably includes the weakening of union power.

However, Mr Lawson made it clear that the Government is afraid to move too rapidly in this direction because of the need to "govern by consent".

That leaves the possibility of a wage freeze, which is certainly being discussed by officials although it is still some way off the political agenda. Almost all economic models have suggested that employment could be boosted if a wage freeze were accompanied by some modest stimulation of the economy.

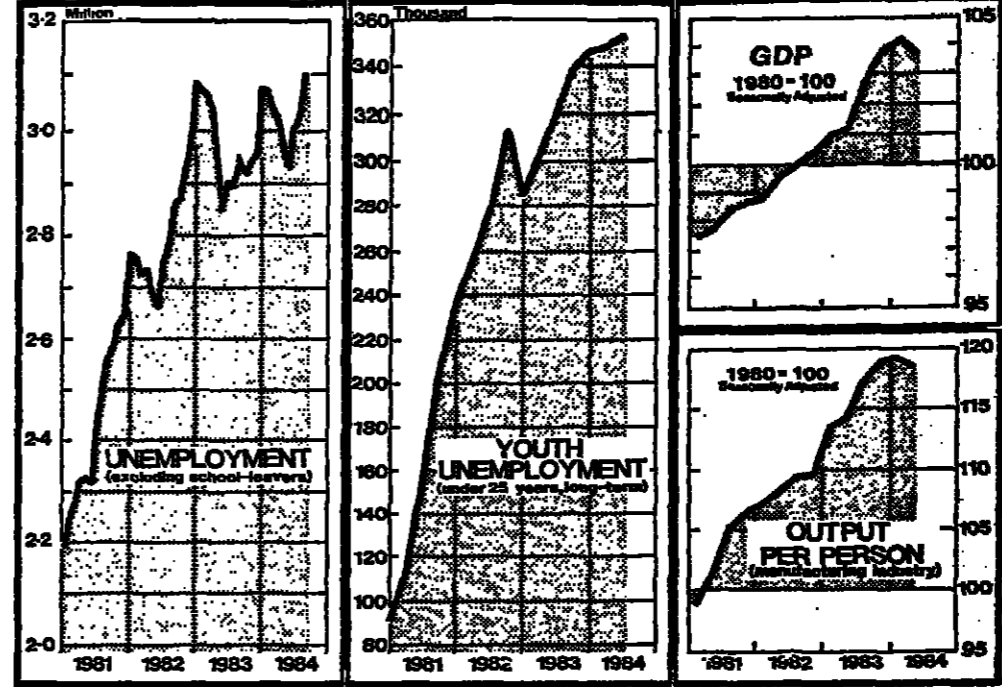
But the Government believes

**Wanted: 20,000 jobs a month**

By Max Wilkinson, Economics Correspondent



Mr Nigel Lawson, the Chancellor of the Exchequer: "Very little" Governments can do to influence unemployment



a wage freeze would build up pressures which would sooner or later produce a flood of wage demands. Past experience suggests it is right.

Another major option is to reflate the economy. Mr Lawson has said loudly and boldly that if this means increasing the Government's borrowing targets it will never happen while he is Chancellor. But some covert reflation, as happened in 1983 in advance of the election, cannot be ruled out.

While promoting his financial rectitude, the Chancellor could easily find £2bn or perhaps even £3bn for tax cuts if he wanted. This year and next, for example, stepped up sales of state assets, including British Telecom, could bring in about £2bn more than the Government's plans envisaged in March.

Mr Lawson is pinning most of his hopes on the stimulative effect of a cut in interest rates, as soon as sterling seems robust enough to take the strain.

He is clearly taking a more relaxed view than a year ago about a fall in sterling, which if it were gradual enough, would help in the short run at least to stimulate exports and so help to provide jobs.

Alongside the review of these main policy areas, the Government has also set in train an inter-departmental study of deregulation centred on the Department of Industry.

This will co-ordinate the programme of "micro-economic measures" which Mr Lawson has said is needed to help make the economy more efficient and more entrepreneurial. Reform of trade unions comes under this heading, but so does the whole panoply of government regulations which restrict the freedom of industry and the movement of labour.

But it is not clear what the Government will be able to achieve in this notoriously difficult area. Even if restrictions are reduced, the effects on employment will be extremely slow to appear.

**The Atlantic air fares row**

**A**IR travellers must be mystified, Britain's Department of Transport, which says it wants to encourage cheap air travel, has just invalidated 100,000 out-of-price air tickets bought in good faith from major British and U.S. airlines. The airlines had sold the cheap North Atlantic seats, often before, without awaiting official confirmation of their validity. The cheap fares, which would have reduced the cost of a London-New York return flight to £259, were marketed once UK and U.S. regulators agreed they were not "predatory". The £259 ticket, first requested by British Airways, would have been just £1 higher than the already-approved fare of Virgin Atlantic, the new small British airline.

Two months ago, the DoT sought an assurance from the U.S. government that the British airlines offering the new fares—BA and British Caledonia—would not as a result be liable to anti-trust actions in U.S. courts. Virgin Atlantic's owner, Mr Richard Branson, had said he regarded the proposed fares as predatory. The UK Government feared he might follow the path of Laker Airways' liquidator who initiated legal proceedings in the U.S., seeking to demonstrate that the airline acted in concert to cause Laker's collapse. But Mr Branson made no explicit threat of legal action.

The banning of the new fares looks a bad mistake however it is viewed. It is an unacceptable interference in the affairs of British and U.S. airlines which were willing to face the possibility of fresh anti-trust actions because they, and the industry's regulators, were confident the new fares were not predatory. A large number of fares were to be cut, not just on routes directly competing with new entrants such as Virgin and People Express. Fares normally fall in the winter reflecting lower demand. BA and BCal were willing to risk prosecution, it seems unreasonable of the DoT to step in like a nanny and dash passengers' hopes of cheaper fares.

**Competition**

The British Government rightly believes that competition should be encouraged in all industries. This requires strong anti-trust laws. The long arm of the U.S. courts appears unacceptable in civil aviation mainly because other nations exempt airlines from normal competition laws. The fact that Laker's British liquidator was able to seek damages in U.S. courts is less unacceptable than the fact that no such option exists in the UK. If the British Government seriously wishes to encourage more international competition in civil aviation, it ought to feel uncomfortable championing Laker's demand that airlines should forever have a privileged status.

**Privatisation**

There were two reasons for the intervention. The Government is sensitive about BA's impending privatisation and wanted to eliminate any chance of another blot on BA's prospectus. The unresolved Laker suit is already an unpleasant source of uncertainty. More important, the UK Government is annoyed by the very existence of the Laker action. In

**THE PUZZLE THAT LIES BEHIND THE R S N G TIDE**

**A** year ago the Treasury was confident that by now it would be able to relax just a little about unemployment. Even if the rate was not falling, officials said, it would at least have stabilised.

But this confidence has proved sadly misplaced. In the first nine months of the year unemployment in Britain has continued to climb and the latest tentative indications are that the rate of increase may even be accelerating.

The Treasury never publishes its detailed unemployment forecasts, but last November the Government's autumn statement assumed that by this December there would be no more than 2.85m people out of work. In fact the number is already more than 3.1m

and there are still three months of statistics to come. In January the Treasury's optimism seemed well founded. After four years in which unemployment had risen from 2.5m to over 3m the grim total at last began to dip with a cut of 5,200 over three months to 2,96m.

But unemployment started climbing again early this year and on average, 17,000 more people a month have joined the unemployment register. In the past three months that average has been 20,500.

Moreover, overall unemployment figures conceal several trends which are beginning to worry many of the Government's natural supporters.

By July 1.23m people of all

**China's friends . . .**

**A**ctively encouraged by the Chinese authorities, a specialised consultancy, Birchwood International of Hungerford, was set up two years ago to help and advise on industrial development in China.

The ten partners (eight based in England and two in Hong Kong) have been commuting in and out of China ever since. Economist Roger Elson, aged 44, who runs Birchwood, has himself made nine trips this year, and he expects to pack in more before the year's end.

The pay-off for their jet westward is a co-operation agreement which has just been signed between Birchwood and the Guangdong International Trust and Investment Corporation of China (the body responsible for much of the infrastructure and project development of southern China).

It provides for joint work in the implementation of the southern China economic development programme.

Elson was with Bowater for 13 years as chief economist, and later as chief executive of Bowater China. He learned to understand Chinese "but I find great difficulty in speaking the language," and, in 1981, left Bowater to set up Birchwood.

The scope of the new agreement, he says "substantial". Currently Birchwood is concerned with the renovation of silk mills in southern China at a cost of about \$11m, a \$40m development of a new port in Canton, and the provision of a \$110m medical centre in the new economic zone near Hong Kong.

Through Birchwood, the Chinese authorities are working with European industrial companies and financial institutions on what Elson calls "the trusted friend principle".

Birchwood's role could be the first step towards a more formal Chinese trade and industry presence in Britain.

**. . . and relations**

The Sino-British Trade Council, meanwhile, has been cele-

**Men and Matters**

**brating its 30th birthday, and the Great Britain-China Centre, its 10th anniversary.**

Premier Zhou Enlai, himself, gave his blessing to the formation of the SFTC in 1954, as Sir Peter Tennant, who had gone to see him in Geneva during the conference on Indo-China, recalled at the celebratory luncheon.

The Council has plodded through some lean years since, but has now emerged into the more fertile fields of China's "Open Door" policy.

In its ten years, the GBCC—launched with the profits from the Times "Genius of China" exhibition in London in 1973—has organised hundreds of exchange visits between British and Chinese cultural groups.

Members of the Chinese writers' association, typically, came last spring to soak up Shakespeare, the Brookes and Hardy (Polanski's Tess of the D'Urbervilles has been shown in China) and, in return, the writer A. S. Byatt and others are trotting off to Peking shortly.

Though pin-striped suits predominated at the Trade Council celebrations, and cultural glamour at the GBCC's exhibition in London in 1973—has organised hundreds of exchange visits between British and Chinese cultural groups.

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**Fish tale**

**W**hat little indulgence does a rich man like Saudi oil minister Sheikh Yamani allow himself after a day of oil market talks in Oslo with Norwegian political leaders?

Fifty kilograms of Norwegian dried cod—that's what the Opec supreme took back with him to Geneva.

Yamani apparently developed a taste for this delicacy while fishing in Norway some years ago, and the chance to buy in bulk on this trip was too good to be missed.

An order went out to a local fish shop for \$1,000-worth of the stuff. The shop did not have that much dried cod in stock but the 50 kg it did have were promptly delivered to the Government guest house, behind the Royal Palace, where Yamani was staying.

It was later loaded on to his private jet—well wrapped in plastic to contain its pungent aroma.

**Life assurance**

**Y**ou've got to be ever so careful with the wording of documents sent out to small shareholders—as the Prudential has just found out.

Investors were startled by a letter from a shareholder in Glasgow expressing her sorrow that the Pru was going out of business. "We are living in terrible times," she commented. "Thank you for mismanaging. The Prudential is a great company." Her family had felt like millionaires when they had bought the shares, she added.

The insurance market is tight, but surely things aren't that bad, thought the staff in the Pru's Registry Department, which handles such matters.

The mystery was solved with a quick call to Glasgow. It had been caused by a single line in the Pru's half-year results. The shareholder had interpreted a bit too literally the report that: "The dividend will be paid at close of business on October 18."

**Sterling move**

**J**effrey Sterling is a busy man. Besides occupying the chairman's seat at Sterling Guarantee Trust and P and O, he is an adviser to the Department of Trade and Industry and, in his spare time, sits on the board of the Royal Ballet School and the Young Vic.

Even for a man of Sterling's energy, that is a formidable workload and, not surprisingly, he has been considering ways of making it more manageable.

The most obvious solution would be to merge SGT with P and O. SGT has accumulated a 19.9 per cent holding in the shipping and construction group already and Sterling admits that he is considering a full merger. Apart from any-

**Science parked**

**O**ur Science editor, David Fishlock, is flattered to have been singled out by the Italian car maker Alfa Romeo.

The company has sent him a warm invitation to test drive a new model, because, explains the writer, "I asked my colleagues to identify a select group of people likely to understand and appreciate the unusual qualities of our remarkable new car."

Memo to Alfa Romeo: Must Fishlock drive.

**Observer**

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Memo to Alfa Romeo: Must Fishlock drive.

**Observer**

**BAMONS SCOTCH WHISKY**

It's more than just the price that sets it apart.

Quality in an age of change



Fabricate your windows and doors from the BRITISH SHEERFRAME SYSTEM... L.R. Plastics Limited

FINANCIAL TIMES

Monday October 29 1984

OVERSEAS MOVING BY MICHAEL GORSON 01-4461300

BRITAIN RECONSIDERS SCHEME TO DISTRIBUTE FOOD TO FAMINE AREAS

Ethiopia attacks UK airlift offer

BY PATTI WALDMER IN LONDON

THE BRITISH Government was last night reconsidering its offer of two RAF Hercules transport aircraft to distribute food to famine-hit areas of Ethiopia...

Dawit has said the commission is unnecessary. Mr Dawit criticised the international community for responding only to "sensational incidents"...

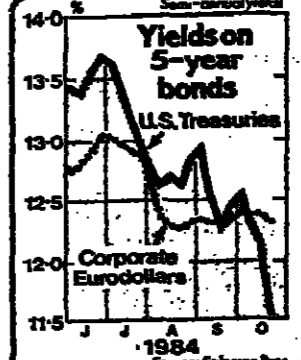
Hard times return for U.S. steel producers

By Terry Dodsworth in New York

U.S. STEELMAKERS are experiencing severe setbacks after their brief return to profit earlier this year. Although some companies still have to report their third-quarter figures...

THE LEX COLUMN

The short arm of the law



Last week the UK Takeover Panel added a new weapon to its rogues' gallery. Alongside the insider dealer and the concert partygoer...

tion is considering Draconian measures - under which dealing in securities in the U.S. would serve as a waiver of foreign secrecy laws...

Zündapp assets bought by China

By Jonathan Carr

CHINESE industrialists from the city of Tientsin have been successful in the bidding for Zündapp, a Munich motorcycle manufacturer...

Israel plans withdrawal of all troops from southern Lebanon

BY DAVID LENNON IN JERUSALEM

THE ISRAELI Cabinet decided yesterday to strive for a complete withdrawal of its forces from southern Lebanon, rather than the partial one previously planned.

Israel was not to take the form of a written agreement. Israel wants Lebanese agreement to a redeployment of UN forces to the area between the Awali and Zabarani rivers...

Sipra to fight Johnson Matthey move

By David Lascelles in London

MR MAHMOUD Sipra, the Pakistani businessman whose ally El Saeed Group threatens Johnson Matthey Bankers (JMB) with large losses, was yesterday preparing to resist attempts by the bank to wind up his loss-making shipping interests.

Argentina moves to step up Falklands pressure

BY NICHOLAS COLCHESTER IN NEW YORK

ARGENTINA hopes that inserting four words into a resolution before the United Nations General Assembly will increase international pressure on Britain to resume negotiations over the future sovereignty of the Falkland Islands.

Nigeria rules out early increase in oil price

Continued from Page 1

The problem of differentials has been compounded by Saudi Arabia's decision to increase the proportion of Arabian Heavy in its export contract packages from 20 per cent to 35 per cent...

As a company specialising in resource recovery from wastes and by-products, Biomass utilise bio-engineering to DO BIOMASS culture enzyme systems to perform specific recovery tasks. WHAT PUT US TO THE TEST? Call the Clwyd Industry Team today on 0352-2121.

World Weather

Table with columns for location, temperature, and weather conditions for various global locations.

UK unions put pressure on miners

Continued from Page 1

for financial aid. There's nothing new: is there something wrong with Libya? Mr Heathfield said last night that he knew of the contacts and saw nothing sinister in them.

regime was "vile" and that "any offers from them would be an insult to everything the British Labour movement stands for. If such offers are ever made then of course they must, and will be rejected."

Handwritten Arabic text at the bottom center of the page.





# SECTION II - COMPANIES AND MARKETS

## FINANCIAL TIMES

Monday October 29 1984



### INTERNATIONAL BONDS

## How Sweden upstaged the Fed

BY MAGGIE URRY IN LONDON

THE EUROBOND market is changing ever more rapidly, and last week saw developments set to become milestones on its course. The week ended on a high note with Morgan Guaranty announcing the first sale by tender of floating rate notes, for that ever-innovative borrower Sweden. Ironically, Sweden's auction was publicised just as the bonds sold in the U.S. Treasury's first foreign auction were floundering in the market.

The Treasury auction of \$1bn of four-year notes with an 11 1/2 per cent coupon and average issue price of 99.939 was undoubtedly a success in the borrower's terms. Many of the buyers however are now sitting on uncomfortable losses. The bonds immediately started trading below the average issue price, and with the New York bond market falling on Thursday and Friday, the bonds were down to 98.50 by Friday evening.

The yield difference between the lower yielding foreign and the domestic portion of the issue, which had been 32 basis points at the average auction prices, narrowed to around 15 basis points by Friday's close.

Although at the auction level the Treasury had managed to borrow more cheaply than all but the best-loved U.S. corporate names in the Eurobond market, dealers reckoned that just showed the cheapness of Eurobonds against Treasuries now. There was also speculation that when the U.S. Government agencies start borrowing in Europe, they could get even cheaper rates if they go through the normal Eurobond syndication process.

The Federal National Mortgage Association (Fannie Mae) and the Student Loan Marketing Association (Sallie Mae) are expected to come to the market soon.

Sweden's competitive tender makes more sense than the Treasury's in one respect. The banks which will be bidding are much more likely to be the end buyers of floating rate notes than of targeted Treasury fixed rate bonds. "A ten-

der makes no sense for getting retail buyers," said one issue manager.

Sweden's auction was seen by the market as "a smart idea for the borrower," which may get funds cheaper than it could have done through the usual syndication route. From the bankers' viewpoint however, lenders are generally something to be resisted as they cut out the commissions. "Tenders can be good, or they can be very bad - they can put people off," observed one banker.

This tender would probably not have happened but for the recent strong market for FRNs - which has brought down the cost of borrowing and made a nonsense of commission rates. A borrower's cost is a combination of the interest rate paid and the front-ends fees.

The fees have become more of a juggling item than the yield, which is usually a margin over London interbank offered rate. The yield on the Swedish issue has been set at the London interbank bid rate. Through the tender, bidders will effectively set their own fees - it is just that they will not be the same for everyone.

The issue was trading in the when-issued market on Friday at 99.28. If Sweden sold the lot at that price it would end up with an effective cost of funds on a discounted basis of 7 1/2 basis points over Libor, to the five-year put option. That compares with a 9 1/2 basis point spread for the first big floater of the week - the \$1bn for Italy.

Described by a rival manager as "an event, not an achievement," Merrill Lynch obtained funds for Italy at an unprecedented low rate. With front end fees pared to 1 1/2 basis points, the issue was held within that discount almost from its launch.

The Eurodollar bond market was overwhelmed with issues last week, both floaters and fixed rate. The latter are still usually coming with warrants. So strong has the market's craving for warrants been that Seagram found it better to issue bonds in the U.S. market, and war-

rants on their own in Europe. That craving has been more than satisfied, however.

The World Bank spurned the idea of warrants for its Friday issue, settling for a plain vanilla bond which traded nicely inside its fees. Interestingly it has a longer, 10-year, maturity than has been seen recently.

The Euro-Australian and New Zealand dollar markets were also tapped on Friday - the latter for the fourth time, and the first since March 1983. In each case the coupons were set at lower levels than the borrowers, Commonwealth Bank of Australia and Woolworth New Zealand, could have got at home.

This is a highly unusual structure because most companies prefer to borrow in the cheaper U.S. market and use Euronotes simply as a back-up for their commercial paper programme.

## BAT and Elders IXL break new ground

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

ACTIVITY in the Euronote market continued at a brisk pace last week as a \$300m facility for BAT Industries of the UK was quickly oversubscribed, while Elders IXL, the Australian farming-to-finance group, brought its previously announced \$500m package in the market.

Led by Chase Manhattan and Salomon Brothers, the five-year Elders deal breaks new ground as a "global note facility" with funds being raised simultaneously in the U.S. commercial paper and Euro-note markets.

That Elders has chosen to tap both markets at once is partly a function of its desire to become better known to both U.S. and international investors and partly to gain extra flexibility in its cash management. The Euronote market offers a greater choice of maturities, particularly in the six-month to one-year range.

More important, however, is the fact that the company's paper has not been rated by either Moody's or Standard and Poors. This means that it will sell in the U.S. at a slight premium and will have to be backed by a letter of credit facility (being arranged by Chase Manhattan and Bank of Tokyo), the cost of which largely offsets the pricing differential between the commercial paper and Euronote markets.

Banks which participate in the facility will receive a 10 basis point commitment fee for agreeing to underwrite the Euronotes at a maximum 15 basis point yield over the London interbank offered rate for Eurodollars (Libor).

BAT also broke new ground with its deal. Apart from the \$60m revolving credit which is needed to bridge technical cash shortfalls as paper is redeemed, its facility bears no commitment fee at all. Yet Citicorp, which is arranging the deal, had still managed to pull in commitments of \$320m by Friday night.

How can BAT have pulled off such a coup? One answer seems to be that those banks which have come into the deal regard it very much as a securities banking transaction. By committing to bid for the notes they are assuring themselves of an inventory of paper they will easily be able to sell to their clients.

Only banks which are very confident of their power to place the notes with investors can afford to take such an approach, and then only with truly top-class credits. If banks felt that there was a risk of their being stuck with the paper they would have to clear space on their balance sheets which would employ capital and make the deal impossible without a fee.

In BAT's case their confidence in being able to sell the paper in the market has been enhanced by a provision which compels them to bid for the paper but allows them to name their own price.

In the Eurocredit market Greece announced, as expected, the terms for the \$300m, eight-year credit for its telecommunications agency OTE. A new twist to the story emerged at the end of the week however when the Bank of England unexpectedly dropped its insistence that the sterling portion of the deal, amounting to around \$75m equivalent, could only bear Transferable Loan Instruments maturing in five years or more.

Forthcoming credits include a \$500m, eight-year deal for Algeria which is now expected to bear a margin of 1/2 per cent and a grace period of five years. In Italy, the state-owned finance company for the manufacturing industry, Efim, is due shortly to launch an Ecu 250m, 10-year credit with margins starting at 1/2 point and rising in stages to 1/2.

### NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Nippon Credit Bk (S) †	100	1992	7	12 1/2	103 1/2	Mgn. Stanley, Bankers Trust, Salomon, Nippon Credit	12.100
Sumitomo †	75	1991	7	12 1/2	100	CSFB, Orion Royal Bk	12.625
Italy (a) † †	1000	1994	10	12 1/2	100	Merrill Lynch	-
Hazrat-e-Ghazi †	50	1988	5	(9 1/2)	100	Yamaichi Int., Bnp Paribas, Dai-ichi Kangyo Int., KIC, Mgn. Stanley	-
Spain (A) † †	500	1989	15	7 1/2	100	Mgn. Guaranty, CSFB, Deutsche, Westpac	-
Rabotna Pariza (S) †	100	1994	18	12	98	Mgn. Guaranty, Salomon, CSFB, Goldman Sachs	12.350
Coca-Cola (S) †	100	1988	4	11 1/2	103.5	Mgn. Guaranty, CSFB	10.234
Kanran Ex-Im Bank (a) † †	50	1994	10	1/4	100	First Chicago Asia Mch Bk, ITCB Asia, Mgn. Hansover Asia, Sanitoma	-
Malaysia (A) † †	600	2009	25	1/4	100	CSFB, Allied Irish Inv. Bk, Merrill Lynch, Salomon	-
Allied Irish Bank (a) † †	100	-	-	1/4	100	Societe Generale	-
Standard Bank (a) † †	75	1991	7	1/4	100	Yamaichi Int., Bnp Paribas, Tokyo-Mt. Bk	12.125
Hokkaido Elm. Power †	50	1989	5	12 1/2	100	CSFB	11.575
Pow. of Saskatchewan †	100	1989	5	11 1/2	100	Salomon Bros., BNP, SBCI	11.562
SNCF (S) †	100	1992	8	12 1/2	104.1	Mgn. Stanley, Bnp Paribas, County Bk, Mgn. Guaranty, SBCI, Westpac	12.041
Westpac Banking (S) †	100	1992	7	12 1/2	103.8	Deutsche Bk, CSFB, Goldman Sachs, Mgn. Guaranty, Mgn. Stanley, SBCI, UBS (Swiz)	12.250
World Bank †	150	1994	10	12 1/2	100	Smith Barney, Harris Upham, CSFB	11.395
Vacuum Int. †	50	1989	15	(7 1/2-8)	100	(Tender sale)	-
Sweden (a) †	600	1989	15	(a)	100	(Tender sale)	-
U.S. Treasury †	1000	1988	4	11 1/2	99.939	(Tender sale)	-
CANADIAN DOLLARS							
British Columbia †	100	1991	7	12 1/2	100	SBCI	12.250
Ottawa-Carleton †	30	1994	10	12 1/2	100	Wood Gundy	12.500

\* Not yet priced. † Fixed terms. \*\* Private Placement. † Floating-rate notes. ‡ With debt warrants. † With equity warrants. (a) 1/4 over 6-month Libor. (b) 1/4 over 3-month Libor. (c) 1/4 over 6-month Libor. (d) 1/4 over 6-month Libor. (e) 6-month Libor. Note: Yields are calculated on an ABO basis.

**NEW ISSUE**

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Algemene Bank Nederland N.V.	Banque Paribas
Crédit Lyonnais	Dresdner Bank Aktiengesellschaft
Goldman Sachs International Corp.	Morgan Guaranty Ltd
Morgan Stanley International	Nomura International Limited
Salomon Brothers International Limited	Société Générale
Société Générale de Banque S.A.	Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited	S.G. Warburg & Co. Ltd.
Amro International Limited	Banca Del Gottardo
BankAmerica Capital Markets Group	Bank Brussel Lambert N.V.
Banque Indosuez	Barclays Bank Group
Country Bank Limited	Creditanstalt-Bankverein
Crédit Commercial de France	Dai-ichi Kangyo International Limited
Daiwa Europe Limited	Fuji International Finance Limited
Genossenschaftliche Zentralbank AG, Vienna	Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
IBJ International Limited	Kansallis-Osake-Pankki
Kredietbank International Group	Lloyds Bank International Limited
LTCB International Limited	Mitsubishi Finance International Limited
Samuel Montagu & Co. Limited	The Nikko Securities Co., (Europe) Ltd.
Nippon Credit International (HK) Ltd.	Orion Royal Bank Limited
PK Christiania Bank (UK) Limited	N.M. Rothschild & Sons Limited
Sanwa International Limited	Svenska Handelsbanken Group
Westdeutsche Landesbank Girozentrale	Wood Gundy Inc.
Yamaichi International (Europe) Limited	

October 1984

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October 1984

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<b>Bank Oppenheim Pierson (Schweiz) AG</b>	<b>Compagnie de Banque et d'Investissements, CBI</b>
	<b>Hottinger &amp; Cie</b>
<b>Bankers Trust AG</b>	<b>Banque de Participations et de Placements S.A.</b>
<b>Crédit des Bergues</b>	<b>Crédit Lyonnais Finanz AG Zürich</b>
<b>Dai-ichi Kangyo Bank (Schweiz) AG</b>	<b>The Industrial Bank of Japan (Schweiz) AG</b>
<b>LTCB (Schweiz) AG</b>	<b>Morgan Guaranty (Switzerland) Ltd</b>
<b>New Japan Securities (Schweiz) AG</b>	<b>Overland Trust Banca</b>
<b>Société Générale Alsacienne de Banque - Groupe Société Générale -</b>	<b>Volksbank Willisau AG</b>

Advisor to the Borrower  
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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

BT's world-wide roadshow gets underway

IT IS, quite simply, easily the biggest share issue which has ever been launched anywhere. The UK Government's offer for sale of over £3bn of shares in British Telecom is being pitched at investors well beyond the shores of Britain, and the international marketing effort will reach a crescendo in the next three weeks.

Martin Jacob of Kleinwort Benson the merchant bankers set on Friday that it would be said to give a yield of "at least" 7 per cent. That would imply a price-earnings ratio of roughly 9 on the basis of forecast earnings for the year to next March.

A portion of the issue will be set aside for separate offerings in the U.S., Canada and Japan, where the underwriting syndicates will be led by Morgan Stanley, McLeod Young Weir, and Nomura Securities.

Beyond the price and the profits outlook, international investors in BT will want reassurance about the British Government's attitude to its remaining 49 per cent stake in the company. The prospectus states that the Government does not intend to use its shareholding to intervene in the commercial decisions of British Telecom, and that it has promised not to sell any more shares before April, 1988.

The final application date is November 28, and dealings are scheduled to start on December 3. At present, a powerful tide of support seems to be building up behind the offer right across the UK.

INTERNATIONAL APPOINTMENTS

Novo boosts top management team

BY CARLA RAPOPORT

NOVO INDUSTRI, the Danish pharmaceuticals group, is aiming to boost its top management team with the appointment of Dr Niels W. Holm, 51, to the new post of chief operating officer.

Former Gambro chairman turns down lesser post

BY KEVIN DONE IN STOCKHOLM

MR ANDERS ALTHIN, who was deposed two weeks ago as chief executive of Gambro, the Swedish medical equipment manufacturer, in the wake of the takeover by Sonesson, has turned down the offer to remain with the company as deputy chairman of the board.

State wins Total struggle

BY PAUL BETTS IN PARIS

M. Francois-Xavier Ortoli, the French European Community commissioner and former Gaullist minister, was appointed on Friday as the new chairman of Compagnie Francaise des Petroles (CFP).

U.S. QUARTERLIES

	1984	1983
<b>AMERICAN BRANDS</b> Tobacco, office supplies, toiletries		
Third quarter	\$ 1,850	\$ 1,800
Revenue	1,840m	1,750m
Net profit	100.5m	98.0m
Net per share	1.85	1.72
Dividend	0.60	0.60
Price/earnings	5.50	5.20
Dividend yield	5.30%	6.20%
Market cap.	307.8m	288.2m
Net per share	5.35	4.98

	1984	1983
<b>AMERICA'S HYDRO</b> Crude, refining		
Third quarter	\$ 500	\$ 450
Revenue	500m	450m
Net profit	20.0m	15.0m
Net per share	0.25	0.19
Dividend	0.00	0.00
Price/earnings	15.00	18.00
Dividend yield	0.00%	0.00%
Market cap.	120.0m	100.0m
Net per share	2.00	1.75

	1984	1983
<b>AMERICA'S MOIST</b> Crude, refining		
Third quarter	\$ 1,000	\$ 950
Revenue	1,000m	950m
Net profit	40.0m	35.0m
Net per share	0.50	0.44
Dividend	0.00	0.00
Price/earnings	15.00	18.00
Dividend yield	0.00%	0.00%
Market cap.	150.0m	135.0m
Net per share	1.27	1.23

	1984	1983
<b>AVON PRODUCTS</b> Cosmetics		
Third quarter	\$ 1,000	\$ 950
Revenue	1,000m	950m
Net profit	25.0m	22.0m
Net per share	0.31	0.28
Dividend	0.00	0.00
Price/earnings	15.00	18.00
Dividend yield	0.00%	0.00%
Market cap.	150.0m	135.0m
Net per share	1.27	1.23

Recovery slows at Texas Instruments

BY OUR NEW YORK STAFF

TEXAS INSTRUMENTS, the U.S. semiconductor company, reported net profits of \$85.3m in the third quarter of this year against a loss of \$110.5m in the same period last year, when the company was hit by special charges against the abandonment of its home computer business.

The earnings figure, equivalent to \$3.54 a share, compared with a \$4.64 loss last year, showed a marginal decline on the second quarter when net income amounted to \$35.9m or \$3.57 a share.

Mr Fred Bucy, president, said that apart from the elimination of losses on home computers, the company had achieved increased margins on its semiconductor business in the quarter, while also benefiting from tax adjustments.

For the first nine months, net income amounted to \$231.5m, or \$10.43 a share, compared with a loss of \$222.9m or \$9.36 a share last year. Sales jumped by 29 per cent from \$3.28bn to \$4.23bn.

Italtel and Cit-Alcatel in digital exchange pact

BY JAMES BUXTON IN ROME

ITALTEL, the Italian state-owned telecommunications equipment maker, is to cooperate with Cit-Alcatel, its French equivalent, in research in the field of digital telephone exchanges.

Italian company Telettra. Cit-Alcatel produces the E10. The agreement covers development of these products, though not manufacturing. It also includes co-operation of software and digital exchange equipment.

The agreement will help lay the basis of a common European standard in telephone exchanges, and exemplifies the co-operation between European companies in electronics which is frequently urged by France and by the EEC Commission, but which often seems difficult to realise in practice.

Air One seeks protection under bankruptcy act

BY OUR NEW YORK STAFF

AIR ONE, the U.S. airline launched exclusively for business travellers amid high hopes only 18 months ago, has filed for protection from its creditors under Chapter 11 of the Bankruptcy Act.

The airline's decision to ground its fleet is the first serious setback for the group of new carriers launched since deregulation of the U.S. industry began in 1978. The company has lost \$40m since its inception and said that a cash infusion that it had been expecting had fallen through.

NEW ISSUE

These Notes having been sold, this announcement appears as a matter of record only.



CANADIAN IMPERIAL BANK OF COMMERCE

(A Bank chartered under the Bank Act of Canada)

U.S. \$150,000,000

Floating Rate Deposit Notes Due 1996

Merrill Lynch Capital Markets

- Amro International Limited
- Bank Brussel Lambert N.V.
- Chase Manhattan Capital Markets Group
- CIBC Limited
- Commerzbank Aktiengesellschaft
- Crédit Lyonnais
- Credit Suisse First Boston Limited
- Dai-ichi Kangyo International Limited
- Daiwa Europe Limited
- Enskilda Securities Skandinaviska Enskilda Limited
- First Interstate Limited
- Hambros Bank Limited
- EF Hutton & Company (London) Ltd
- IBJ International Limited
- Manufacturers Hanover Limited
- Mitsubishi Finance International Limited
- Mitsubishi Trust & Banking Corporation (Europe) S.A.
- Mitsui Trust Bank (Europe) S.A.
- Samuel Montagu & Co. Limited
- Morgan Stanley International
- The Nikko Securities Co., (Europe) Ltd.
- Nomura International Limited
- Orion Royal Bank Limited
- Sanwa International Limited
- Société Générale
- Sumitomo Trust International Limited
- Swiss Bank Corporation International Limited
- Wardley
- Westdeutsche Landesbank Girozentrale
- Wood Gundy Inc.

September, 1984

All of these Securities have been sold. This announcement appears as a matter of record only.

3,000,000 Shares



Common Stock

MORGAN STANLEY & CO.

HAMBRECHT & QUIST

- ALEX. BROWN & SONS
- THE FIRST BOSTON CORPORATION
- BEAR, STEARNS & CO.
- DILLON, READ & CO. INC.
- DONALDSON, LUFKIN & JENNETTE
- DREXEL BURNHAM LAMBERT
- GOLDMAN, SACHS & CO.
- E. F. HUTTON & COMPANY INC.
- KIDDER, PEABODY & CO.
- LAZARD FRERES & CO.
- LEHMAN BROTHERS
- MONTGOMERY SECURITIES
- PAINEWEBBER
- PRUDENTIAL-BACHE
- ROBERTSON, COLMAN & STEPHENS
- SALOMON BROTHERS INC.
- WERTHEIM & CO., INC.
- DEAN WITTER REYNOLDS INC.
- COWEN & CO.
- ABD SECURITIES CORPORATION
- ATLANTIC CAPITAL
- CAZENOVE INC.
- DAIWA SECURITIES AMERICA INC.
- EUROPARTNERS SECURITIES CORPORATION
- ROBERT FLEMING
- KLEINWORT, BENSON
- THE NIKKO SECURITIES CO.
- NOMURA SECURITIES INTERNATIONAL, INC.
- ROTHSCHILD INC.
- SWISS BANK CORPORATION INTERNATIONAL
- YAMACHI INTERNATIONAL (AMERICA), INC.
- JULIUS BAER SECURITIES INC.

- ALGEMENE BANK NEDERLAND N.V.
- BANQUE INDOSUEZ
- BANQUE DE NEUFLIZE, SCHLUMBERGER, MALLET
- COMPAGNIE DE BANQUE ET D'INVESTISSEMENTS, CBI
- CREDIT COMMERCIAL DE FRANCE
- DE ZOETE & BEVAN
- GRIEVESON, GRANT AND COMPANY
- HILL SAMUEL & CO.
- MORGAN GRENFELL & CO.
- PICTET INTERNATIONAL
- J. HENRY SCHROEDER WAGG & CO.
- VEREINS-UND WESTBANK

October 19, 1984

UK COMPANY NEWS

RECENT ISSUES

Burgess Products back to profits

Burgess Products (Holdings), Leicester-based agricultural and electrical engineer and manufacturer, returned to profits in the year ended July 28 1984 with a pre-tax surplus of £72,000 compared with a loss of £237,000.

Hawley's moves pave way towards U.S. quotation

BY ALEXANDER NICOLL

Hawley Group, the service industry company headed by Mr Michael Ashcroft, will operate with twin headquarters when its planned establishment of a Bermuda-based parent company is completed later this year.

Surge in betting profit aids Northern Goldsmiths result

INCREASED LOSSES of £130,000 against £103,000 in the jewellery division at Northern Goldsmiths were more than offset by a surge in profits from £157,000 to £378,000 in bookmaking and finance for the six months to the end of August 1984.

TR Industrial assets increase

Net asset value at TR Industrial and General Trust increased from 179.8p at the end of last March to 186.8p at the end of September 1984.

Granville & Co. Limited

Table with columns: Capitalist, Company, Price, Change, Gross Yield, Fully P/E. Lists various companies like Ass. Brit. Ind. Ord., Airsprung Group, etc.

Republic of Indonesia U.S. \$75,000,000 Floating Rate Notes Due 1990. Includes logo and agent bank information.

Bank of Tokyo (Curaçao) Holding N.V. GUARANTEED FLOATING RATE NOTES DUE 1989. Includes logo and agent bank information.

Grupo Industrial Saltillo S.A. U.S. \$30,000,000 Floating Rate Notes due 1988. Includes logo and agent bank information.

ZETTERS GROUP PLC EARNINGS PER SHARE UP 11% Year ended 31.3.84 31.3.83. Includes financial data and chairman's statement.

Who pioneered domestic double glazing? The manufacturing and marketing of domestic double glazing in the UK was largely pioneered by Weatherseal Windows who remain a foremost manufacturer and innovator in the field.

Today's Rate 11 1/4% 3i Term Deposits. Table showing interest rates for terms from 3 to 10 years.

LADBROKE INDEX Based on FT Index 865-869 (+3) Tel: 01-427 4411

FINANCIAL TIMES STOCK INDICES Table with columns: Index, Oct 26, Oct 27, Oct 28, Oct 29, Oct 30, High, Low, Since Complete, Low.

EQUITIES Table with columns: Issue Price, Amount, Return, High, Low, Stock, etc.

FIXED INTEREST STOCKS Table with columns: Issue Price, Amount, Return, High, Low, Stock, etc.

"RIGHTS" OFFERS Table with columns: Issue Price, Amount, Return, High, Low, Stock, etc.

PENDING DIVIDENDS Table with columns: Date, Amount, Announcement, etc.

Stanley Miller in loss but recovery expected

SEVERAL factors have caused a \$409,000 turnaround to pre-tax losses of \$303,000 at Stanley Miller Holdings, building contractor and civil engineer, for the first six months of 1984.

R. P. Martin raises Far East presence

R. P. Martin, UK money broker, is to take a 10 per cent stake in a Japanese broker, Kobayashi, at a cost of \$794,000.

BOARD MEETINGS

Table listing board meetings for various companies including Allied London Properties, Anvil Petroleum, etc.

Pennine pays £4m for U.S. clothes group

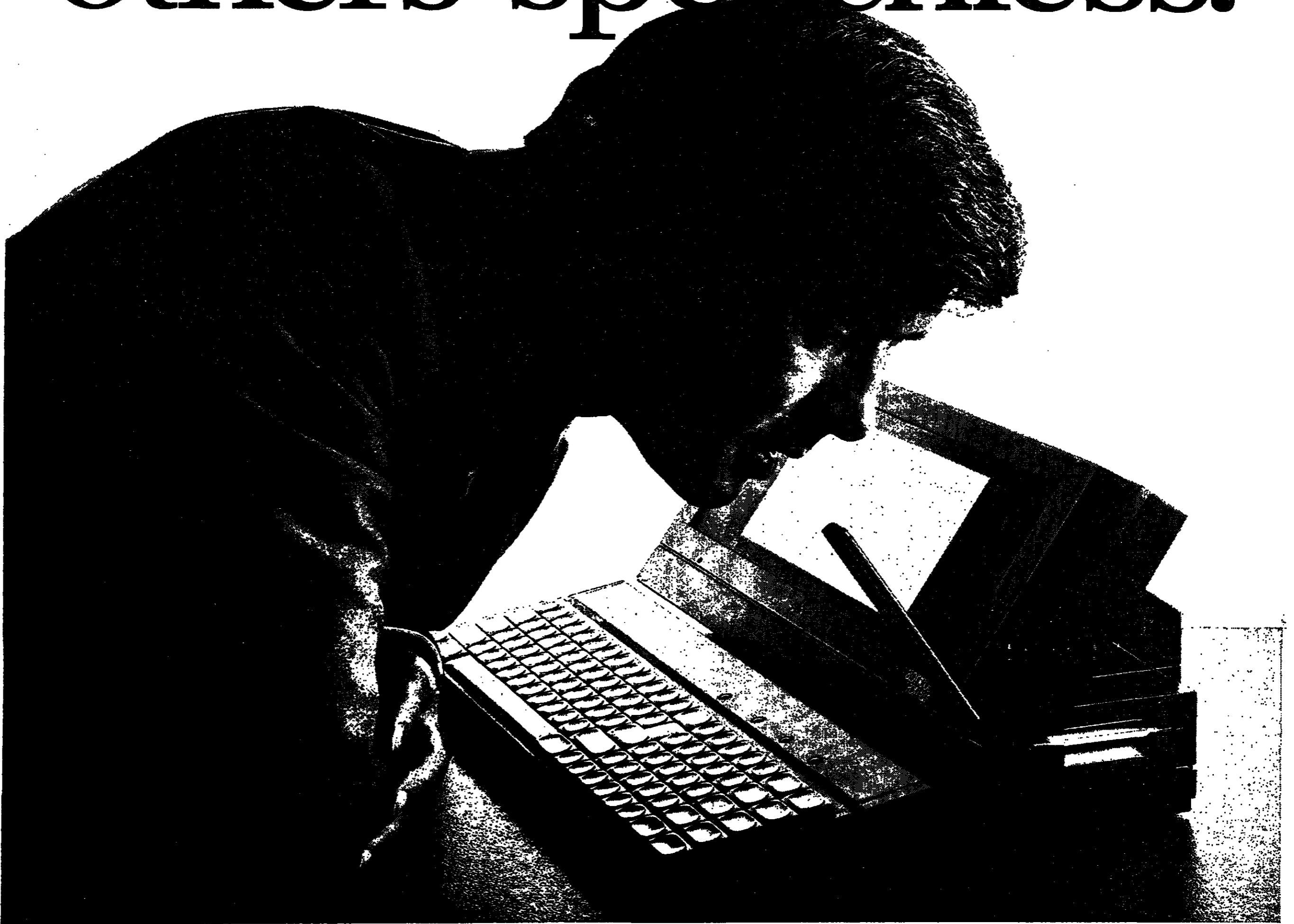
Pennine Resources, an oil and gas exploration company, has reached agreement to acquire Dutchmald Inc., a U.S. group manufacturing, distributing and direct selling ladies and children's clothing.

Confident Weeks set to 'flourish and expand'

THE THREE remaining companies at Weeks Associates have been included in the latest pre-tax losses of £209,638, against profits of £100,313, for the 28 weeks to August 12 1984.

LONDON AND NORTHERN GROUP PLC Construction, Healthcare - and much more besides.

# Apricot leaves the others speechless.



Hello.  
I'm an Apricot Portable. The computer you can talk to.

I'm a very good listener. I can understand more than four thousand words. And I'll learn to recognise any accent from Glasgow to Grosvenor Square.

I can respond to commands in foreign languages and even a personal code if it's hush hush.

Rather surprisingly for my size, I can run a medium sized business on my own.

My maximum memory is 1 MByte and I can store up to 720K on a 3½" disk.

I tip the scales at just under 13 lbs. (Most of my rivals weigh in at two stones.)

So packed away in my slim, charcoal grey carrying

case I'll slip practically unnoticed onto the 6.30 with you.

One of the reasons I'm so trim is my full sized flat screen. It's a bit like looking at a big digital watch.

My cordless keyboard and mouse work by infra red signals, the way you probably operate your TV

set at home.

What's a mouse?

It's a piece of gadgetry that lets you use the computer by simply pointing the mouse at the machine and moving around the ball control with your thumb.

Or you can use the desk to roll the ball if it's more comfortable.

Want to know more?

You get a free tutorial disk with every machine to demonstrate all my features.

It shows how words and pictures are

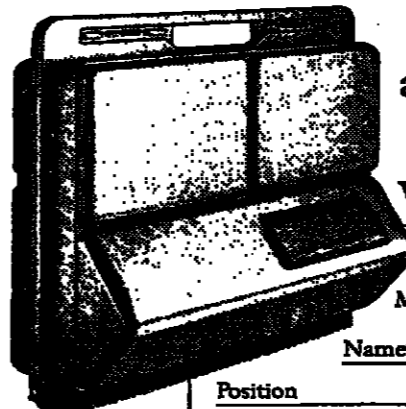
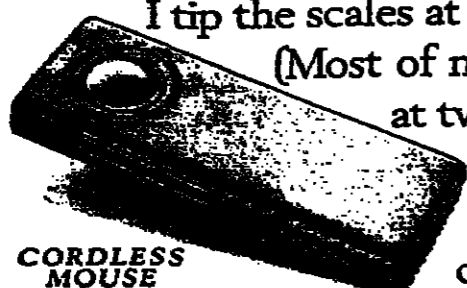
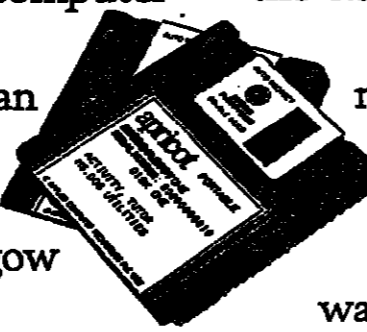
cleverly mixed on screen and explains everything you haven't gathered already.

You also get a powerful bundle of free software including a word processor, spreadsheet and diary.

Then when you've mastered those, you can choose from two thousand packages specially developed for Apricot, which will include Lotus 1-2-3.

That'll make me do almost anything except sugar your tea.

Give them time. They're working on it.



CARRYING CASE

Please send me details of the Apricot Portable.  
To: ACT (UK) Ltd., FREEPOST, Halesowen, West Midlands B63 1BR. Or Freefone Apricot via Operator.

Name \_\_\_\_\_

Position \_\_\_\_\_ Company \_\_\_\_\_

Address \_\_\_\_\_

Tel \_\_\_\_\_

**THE ANSWER IS AN Apricot Portable**



NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, October 28

Main table of stock prices with columns for stock names, prices, and changes. Includes sections for '12 Month High', '12 Month Low', and '12 Month Range'.

Continued on Page 23

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, October 26

Table of American Stock Exchange Composite Closing Prices for October 26, 1964. Columns include stock symbols, company names, and prices. Includes sub-sections for 'NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES' and 'INTERNATIONAL GUIDE TO THE ARTS'.

Continued on Page 24

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Table of New York Stock Exchange Composite Closing Prices for October 26, 1964. Columns include stock symbols, company names, and prices. Includes sub-sections for 'NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES' and 'INTERNATIONAL GUIDE TO THE ARTS'.

Notes: Sales figures are unofficial. Yearly high and low reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual distributions based on the latest declaration.

INTERNATIONAL GUIDE TO THE ARTS every Friday in the Financial Times

WORLD STOCK MARKETS

OVER-THE-COUNTER Nasdaq national market. Closing prices. October 26

Table of over-the-counter stock prices including columns for Stock, Sales, High, Low, Last, and Change. Includes sub-sections for TORONTO and MONTREAL.

CANADA

TORONTO Closing prices October 26

Table of Toronto stock market closing prices for October 26, listing various stocks and their prices.

BELGIUM/LUXEMBOURG

Table of Belgium/Luxembourg stock market closing prices for October 26, listing various stocks and their prices.

AUSTRALIA

Table of Australia stock market closing prices for October 26, listing various stocks and their prices.

HONG KONG

Table of Hong Kong stock market closing prices for October 26, listing various stocks and their prices.

JAPAN

Table of Japan stock market closing prices for October 26, listing various stocks and their prices.

AMERICAN STOCK EXCHANGE CLOSING PRICES

Table of American Stock Exchange closing prices for October 26, listing various stocks and their prices.

MONTREAL

Table of Montreal stock market closing prices for October 26, listing various stocks and their prices.

GERMANY

Table of Germany stock market closing prices for October 26, listing various stocks and their prices.

FRANCE

Table of France stock market closing prices for October 26, listing various stocks and their prices.

NETHERLANDS

Table of Netherlands stock market closing prices for October 26, listing various stocks and their prices.

SWITZERLAND

Table of Switzerland stock market closing prices for October 26, listing various stocks and their prices.

ITALY

Table of Italy stock market closing prices for October 26, listing various stocks and their prices.

NORWAY

Table of Norway stock market closing prices for October 26, listing various stocks and their prices.

SPAIN

Table of Spain stock market closing prices for October 26, listing various stocks and their prices.

NOTES: Prices on this page are quoted on the individual exchange and are based on the closing prices as reported by the exchange. All prices are in local currency unless otherwise stated.



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CRENDON VERSATILE STRUCTURES For Offices, Factories, Warehouses CRENDON STRUCTURES LIMITED

CONSTRUCTION CONTRACTS

Monk busy with £31m orders

MONK has been awarded a variety of contracts in both building and civil engineering work valued at over £31m. The largest is the construction of 2.5m of two-lane motorway and 1.1m of side roads between Draffan and Welburn at a cost of £2.16m for the Strathclyde Regional Council.

£2.3m hospital work for Fairclough

The Yorkshire Regional Health Authority has awarded FAIRCLOUGH BUILDINGS eastern division at Leeds a £2.3m contract for a hospital building at Bradford's Royal Infirmary.

month on a £2.8m project for Commonwealth Holiday Inns in Canada to provide additional bedroom accommodation and leisure areas at the Holiday Inn, Slough.

Contracts worth £2m have been awarded to LONDON AND NORTHERN GROUP companies. Wilsons (North East) has been awarded three contracts for Sedgfield District Council.

extension of offices and factory, together with handstanding at Leeds, for £70,000. A car showroom will be constructed at Wakefield for £150,000 and extensions and refurbishment to Kirkstall Library undertaken for £40,000.

In the North West, Border Engineering Contractors and its subsidiary, William Huddleston, have been awarded contracts worth £832,000. In Cumbria, Border Engineering will carry out a £149,043 contract for Allendale District Council.

Specialist plasterers, JONATHAN JAMES, of Rainham, Essex, has won one of its biggest ever contracts for work at the International Conference Centre, London, SW1. The £1.2m worth of work involves fitting out and plasterwork in five conference rooms and an auditorium at the centre.

deputy managing director (finance and administration) and will have responsibility for both functions. Mr Mike Gibson has been appointed general manager, Personal Loans Division, of the UNITED DOMINION TRUST, the finance house division of the Trustee Savings Banks Group.

panels. These areas will be covered mainly with fibrous plaster work and either painted or sprayed with acoustic plaster. Jonathan James is part of the Taylor Woodrow Group.

Four housing contracts in the south of England together worth £5m have been assigned to JOHN MOWLEM & CO from Crouch Construction. At Bewbush, Crawley West Sussex, Mowlem is completing 185 two, three and four-bedroom houses, bungalows and flats under a £2.8m contract for Crawley Borough Council.

Mr Stuart Walsh is to be appointed managing director of MSA (MANAGEMENT SCIENCE AMERICA) with responsibility for managing all sales, marketing, support and administrative departments in the UK. Mr Walsh joined the company in 1978 and was appointed a director in 1983.

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WORLD STOCK MARKETS

OVER-THE-COUNTER

Table of stock market data including columns for Stock, Sales (Miles), High, Low, Last, and Change. Includes sub-sections like 'Continued from Page 24' and 'S-S'.

APPOINTMENTS

New directors at IDC

Mr Patrick Swann has been appointed a director of IDC CONSULTANTS and Mr John Wiggfield has been appointed a director of IDC.

International Appointments

Data General International Marketing Opportunity

DATA GENERAL is one of the world's leading minicomputer manufacturers - an innovative organisation with a consistent and dramatic record of success. Worldwide, there are over 17,000 people contributing to this success and, at our European Headquarters in Paris, the Marketing Division is devising, co-ordinating and implementing marketing programmes and strategies for all of Europe, Africa and the Middle East.

Company Notices

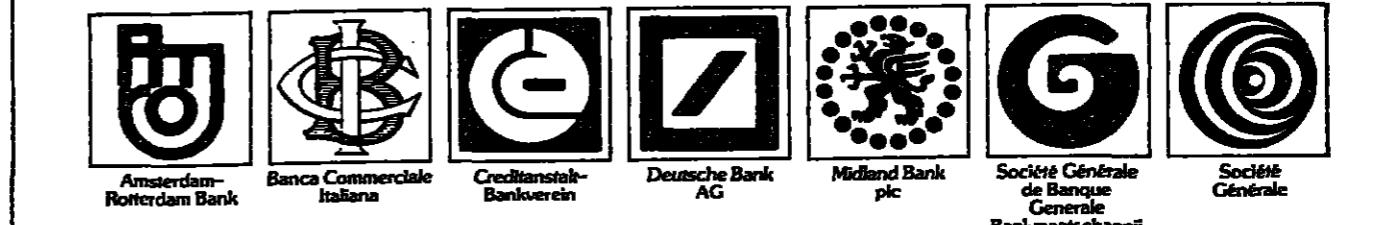
TENDERS FOR GREATER LONDON BILLS 1. The Greater London Council hereby give notice that tenders will be received at the Secretary, Bank of England, London EC2A 2AH, on Monday, 5th November, 1984, at 10.00 am for Greater London Bills to be issued in conformity with the Greater London Council (General Powers) Act, 1982.

NOTICE OF PURCHASE EUROPEAN INVESTMENT BANK EUROPEAN INVESTMENT BANK (EIB) is pleased to announce that it has issued a new series of 100,000,000 European Composite Units 20,000,000.

NOTICE TO BONDHOLDERS THE COPENHAGEN COUNTY AUTHORITY UA 20,000,000 9 1/2% 1975-1985 BONDS

NOTICE OF ADVERTISEMENT EUROPEAN COAL AND STEEL COMMUNITY (ECSC) 240,000,000 1 1/2% NOTES OF 1978

The Ebic banks: effective partners in your financial operations.



Strength. Reliability. Innovation. Experience. Important considerations when you're choosing a bank. Ebic brings together seven such banks. Seven major, European banks with assets of some \$400 billion.

EUROPE'S MOST EXPERIENCED BANKING GROUP

UNIVERSITY OF WARWICK

TWO LECTURESHIPS IN ACCOUNTING AND IN FINANCE There is a vacancy for one lecturer to teach, research and publish in the field of corporate financial management/financial market theory.

Contracts and Tenders

SYRIAN ARAB REPUBLIC

PUBLIC ESTABLISHMENT OF ELECTRICITY FINANCIAL DIRECTORATE - EXTERNAL CONTRACT SECTION Following our advertisement of the call of Tender No. 1540 for the extension of Bahias thermal power station by the addition of 2 x 160 MW units which is mentioned in the daily Official Bulletin No. 4777 dated 2nd May, 1984.

26 AUTHORIZED UNIT TRUSTS

Table of authorized unit trusts including sections for British Group, Allied Unit Trusts, and various investment funds with columns for name, value, and change.

FT UNIT TRUST INFORMATION SERVICE

Main table of unit trusts under the FT Unit Trust Information Service, listing various investment vehicles and their performance metrics.

Financial Times Monday October 29 1984

Table of financial times unit trusts, including sections for City of Westminster Assurance, Standard Portfolio Life Ass. PLC, and other investment products.

F.T. CROSSWORD PUZZLE No. 555

- ACROSS
12 - a flower loses heart with fall, almost (8)
5 12 with amphibian leg (6)
9 Slap about with nervous effects for 13's results? (8)
10 12's American plough (6)
12 F.R.S., perhaps (9)
13 12 is one in act of healing (5)
14 12 who helped the miners (4)
16 Plant e.g. group coming back to head of celery? (7)
19 12 is distant at one time? (7)
21 Stimulate nasty fun about the East (4)
24 12 to be excited, we hear (5)
25 Trim Peter arranging to pass by (9)
27 Fine sea abroad in one (6)
28 12 relatively successful? An understatement! (8)
29 Leave off tides, rough, about edge of sea (6)
30 Urges to go to terrible place. Could be cracked? (8)

Crossword puzzle grid with numbers indicating starting positions for the clues.

- DOWN
1 Apply seal to document. A soft attitude (6)
2 Kind of acid from animal man, it is said (6)
3 In that degree, a heavy-weight University? (5)
4 Make A.C. D.C., or purify? (7)
6 Been civil? Upset is clearly shown (9)
7 Lesson in 3 or Oxbridge perhaps (4)
8 Tendril allowed to appear after some courage (8)
11 Ear's first of organs that immunologist cured (4)
15 Groups of listeners can die with use overdone (9)
17 Commercial term describing transactions not sailing? (3-5)
18 Energy dispersed over ship exhibiting neutrality (8)

20 Speaks constantly and pays out (4)
21 12 showing me up in east? (7)
22 12 giving a parliamentary notice before (6)
23 Heat on a lamp's contribution is not referred to scale (6)
26 Is less in demand? Contracts not started? (5)
The solution to last Saturday's prize puzzle will be published with names of winners next Saturday

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INSURANCE, OVERSEAS & MONEY FUNDS

Table of insurance and overseas funds, including Liberty Life Assurance Co Ltd, National Provident Institution, and various international investment funds.

Table of insurance and overseas funds, including Swiss & Pranger Group, Target Life Assurance Co Ltd, and various international investment funds.

Table of insurance and overseas funds, including Swiss & Pranger Group, Target Life Assurance Co Ltd, and various international investment funds.

Table of insurance and overseas funds, including Swiss & Pranger Group, Target Life Assurance Co Ltd, and various international investment funds.

Money Market Trust Funds

Money Market Bank Accounts

Table of money market bank accounts, including various banks and their interest rates and services.

OFFSHORE AND OVERSEAS

Table of offshore and overseas services, including various international investment and insurance companies.

FOR QUALITY DEVELOPMENTS IN THE SOUTH AND MIDLANDS

Bryant Properties 021 704 5111

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

Table of British Funds with columns for Fund Name, Stock, Price, and Yield.

Five to Fifteen Years

Table of funds categorized by 5 to 15 year maturity.

Over Fifteen Years

Table of funds categorized by over 15 year maturity.

Undated

Table of undated funds.

Index-Linked

Table of index-linked funds.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Table of international bank and overseas government sterling issues.

CORPORATION BONDS

Table of corporation bonds.

COMMONWEALTH AND AFRICAN BONDS

Table of commonwealth and African bonds.

LOANS

Table of various loans.

Public Board and Ind.

Table of public board and industrial shares.

AMERICANS

Table of American stocks.

BEERS, WINES AND SPIRITS

Table of beer, wine, and spirit stocks.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of building, timber, and road stocks.

DRAPERY & STORES—Cont.

Table of drapery and store stocks.

ENGINEERING—Continued

Table of engineering stocks.

INDUSTRIALS (Miscel.)

Table of miscellaneous industrial stocks.

CANADIANS

Table of Canadian stocks.

CHEMICALS, PLASTICS

Table of chemical and plastic stocks.

ELECTRICALS

Table of electrical stocks.

FOOD, GROCERIES, ETC

Table of food, grocery, and other stocks.

HOTELS AND CATERERS

Table of hotel and catering stocks.

BANKS, HP AND LEASING

Table of bank, HP, and leasing stocks.

DRAPERY AND STORES

Table of drapery and store stocks.

HIRE PURCHASE, LEASING, ETC.

Table of hire purchase, leasing, etc. stocks.

BEERS, WINES AND SPIRITS

Table of beer, wine, and spirit stocks.

FOREIGN BONDS & RAILS

Table of foreign bonds and rail stocks.

BEERS, WINES AND SPIRITS

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BEERS, WINES AND SPIRITS

Table of beer, wine, and spirit stocks.

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INDUSTRIALS—Continued

Table of industrial stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

LEISURE—Continued

Table of leisure stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

PROPERTY—Continued

Table of property stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

OIL AND GAS—Continued

Table of oil and gas stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

DAIICHI EUROPE LIMITED For EQUITIES & BONDS. Durrant House, 8-13, Chiswell Street, London EC1Y 4TD. Telephone: 01 503 4872. Telex: 853336 ICHILD.

MINES—Continued

Table of mining stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

Commercial Vehicles

Table of commercial vehicle stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

Components

Table of component stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

SHIPPING

Table of shipping stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

SHOES AND LEATHER

Table of shoes and leather stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

Australians

Table of Australian stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

Garages and Distributors

Table of garage and distributor stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

TEXTILES

Table of textile stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

TOBACCO

Table of tobacco stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

OVERSEAS TRADERS

Table of overseas trader stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

TINS

Table of tin stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

PAPER, PRINTING ADVERTISING

Table of paper, printing, and advertising stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

PROPERTY

Table of property stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

FINANCE, LAND, etc

Table of finance, land, and other stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

PLANTATIONS

Table of plantation stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

MISCELLANEOUS

Table of miscellaneous stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

INSURANCES

Table of insurance stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

LEISURE

Table of leisure stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

PROPERTY

Table of property stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

INVESTMENT TRUSTS

Table of investment trusts including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

OIL AND GAS

Table of oil and gas stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

PLANTATIONS

Table of plantation stocks including companies like Anglo-Siam, Anglo-Siam, Anglo-Siam, etc. with columns for stock, price, and other financial metrics.

Notes and footnotes regarding the data presented in the tables, including disclaimers and additional information.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Fear of another false dawn

BY COLIN MILLHAM

THE DOLLAR lost ground on the foreign exchanges last week, but sterling performed better. Lower U.S. interest rates and the continued threat of intervention by the German...

than expected rise of \$1.5bn in weekly M1 money supply and warnings by Dr Henry Kaufman of Salomon Brothers about higher interest rates.

POUND SPOT—FORWARD AGAINST POUND

Table with columns: Oct 28, Day's spread, Close, One month, Three months, % change, p.a. Includes data for UK, Ireland, France, Germany, Italy, Spain, Sweden, Japan, Austria, Switzerland.

Belgian rate is for convertible francs. Financial franc 75.60-75.75. Six-month forward dollar 0.10-0.15c dis. 12-month 0.35-0.70c dis.

OTHER CURRENCIES

Table with columns: Oct 26, £, \$, Note Rates. Includes Argentina, Australia, Brazil, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, India, Italy, Japan, Korea, Kuwait, Luxembourg, Malaysia, New Zealand, Saudi Arabia, Singapore, South Africa, Taiwan, Thailand, U.K., U.S., West Germany, Yugoslavia.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Currency, % change, % change against ECU, Divergence %.

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Table with columns: Oct 26, Pound Sterling, U.S. Dollar, Deutsche Mark, Japanese Yen, French Franc, Swiss Franc, Dutch Guilder, Italian Lira, Canada Dollar, Belgian Franc, Mark.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Table with columns: Oct 26, Sterling, U.S. Dollar, Canadian Dollar, Dutch Guilder, Swiss Franc, D-Mark, French Franc, Italian Lira, Belgian Franc, Yen, Danish Kroner.

Asian \$ (closing rates in Singapore): Short-term 9 1/4-9 3/4 per cent; seven days 9 1/4-9 3/4 per cent; one month 9 1/4-9 3/4 per cent; three months 10 1/4-10 3/4 per cent; six months 10 1/4-10 3/4 per cent; one year 10 1/4-10 3/4 per cent. Long-term Eurodollars: one month 11 1/4-11 3/4 per cent; three months 12 1/4-12 3/4 per cent; six months 12 1/4-12 3/4 per cent; one year 12 1/4-12 3/4 per cent. Short-term rates are call for U.S. dollars and Japanese yen; others two days notice.

MONEY MARKETS

London reacts to lower U.S. rates

Sentiment improved on the London money market last week, with longer term rates showing the greatest upward movement. This was generally the result of events in the U.S., where the Federal funds rate traded consistently below 10 per cent.

MONEY RATES

Table with columns: Oct 26, Overnight, 1 month, 3 months, 6 months, 12 months, Lombard, Intervention.

LONDON MONEY RATES

Table with columns: Oct 26, Sterling, Interbank, Local Authority Deposits, Company Deposits, Market Deposits, Treasury (Buy), Treasury (Sell), Eligible (Buy), Eligible (Sell), Fine (Buy).

FT LONDON INTERBANK FIXING

Table with columns: (11.00 am October 26), 3 months U.S. dollars, bid 10 1/8 offer 10 1/4, 6 months U.S. dollars, bid 10 1/8 offer 10 1/16.

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth of the bid and offered rates of five clearing banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Paribas de Paris and Morgan Guaranty Trust.

STERLING EXCHANGE RATE INDEX

Table with columns: Oct 26, Previous, 8.30 am, 9.00 am, 10.00 am, 11.00 am, Noon, 1.00 pm, 2.00 pm, 3.00 pm, 4.00 pm.

New York rates

Table with columns: Oct 26, Prev. close, 2 Spot, 1 month, 3 months, 6 month, 12 month.

Forward premiums and discounts apply to the U.S. dollar.

FORWARD RATES AGAINST STERLING

Table with columns: Dollar, D-Mark, French Franc, Swiss Franc, Japanese Yen, Spot, 1 month, 3 months, 6 month, 12 month.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Oct 26, Oct 19, Oct 26, Oct 19, Bills on offer, Total of applications, Total allocated, Minimum, Allotment at minimum level.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Table with columns: Oct 26, Day's spread, Close, One month, Three months, % change, p.a. Includes UK, Ireland, France, Germany, Italy, Spain, Sweden, Japan, Austria, Switzerland.

UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible franc. Financial franc 61.50-62.00.

CURRENCY MOVEMENTS

Table with columns: Oct 26, Bank of England, Morgan Guaranty, Index, % change, % change against ECU, Divergence %.

Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

Table with columns: Oct 26, Sterling, U.S. Dollar, Canadian Dollar, Dutch Guilder, Swiss Franc, D-Mark, French Franc, Italian Lira, Belgian Franc, Yen, Danish Kroner.

CS/SDR rate for Oct 25: 131.295.

LONDON

Table with columns: Three-month Eurodollar, Close, High, Low, Prev, Dec, March, June, Sept, Est. volume, U.S. Treasury Bonds.

CHICAGO

Table with columns: U.S. Treasury Bonds (CBT), Close, High, Low, Prev, Dec, March, June, Sept, Est. volume.

20-YEAR 12% NOTIONAL GILT

Table with columns: Dec, March, June, Sept, Est. volume.

STERLING DEPOSIT (INM) \$m per £

Table with columns: Dec, March, June, Sept, Est. volume.

DEUTSCHE MARKS

Table with columns: Dec, March, June, Sept, Est. volume.

THREE-MONTH EURODOLLAR (INM) \$m per \$100

Table with columns: Dec, March, June, Sept, Est. volume.

SWISS FRANS

Table with columns: Dec, March, June, Sept, Est. volume.

JAPANESE YEN

Table with columns: Dec, March, June, Sept, Est. volume.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: LONDON, NEW YORK, Oct 26 change, Oct 26, change.

London—band 1 bills mature in 14 days, band 2 bills 15 to 23 days, band 3 bills 24 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other countries rates are generally deposit rates in money market and their respective changes during the week. Band 4 bills 10%.

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PROFIT STATEMENT, BALANCE SHEET AND FINAL DIVIDEND DECLARATION FOR THE YEAR ENDED 30TH SEPTEMBER, 1984

The audited consolidated results of the company and its subsidiaries for the year ended 30th September, 1984 are given below, together with the results for the preceding year:

Table with columns: INCOME STATEMENTS, BALANCE SHEETS, Turnover, Consolidated operating profit, Taxation, Consolidated operating profit after taxation, Dividend income, Consolidated profit after taxation, Dividends per share, Earnings per share, Dividend cover.

NOTICE IS HEREBY GIVEN that Dividend No. 90 of 206 cents per share has been declared in South African currency, as a final dividend in respect of the year ended 30th September, 1984, payable to members registered in the books of the company at the close of business on 30th November, 1984, and to persons presenting the appropriate coupon (No. 91) detached from a share warrant to bearer. The dividend on a share warrant to bearer will be paid in terms of a further notice to be published by the company's London Secretaries on 7th December, 1984. The register of members will be closed from 1st to 9th December, 1984, inclusive, and dividend warrants will be posted on or about 7th January, 1985.

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BASLE STOCK EXCHANGE

Forward trading extended to nine months. The Basle Stock Exchange has today (Monday, 29 October, 1984) extended the contract terms for forward transactions, making it possible to trade shares as much as nine months forward.

It will still be possible to trade securities forward for settlement at the end of the current month, the next month or the month after that. The maximum possible contract life for a forward transaction will be nine months but, depending on the month in which the deal is made, the maximum length will vary between seven and nine months.

Further information may be obtained from any of the banks with Stock Exchange licence which are listed here:

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FINANCIAL TIMES SURVEY

BASE STOCK HANG



CHINA



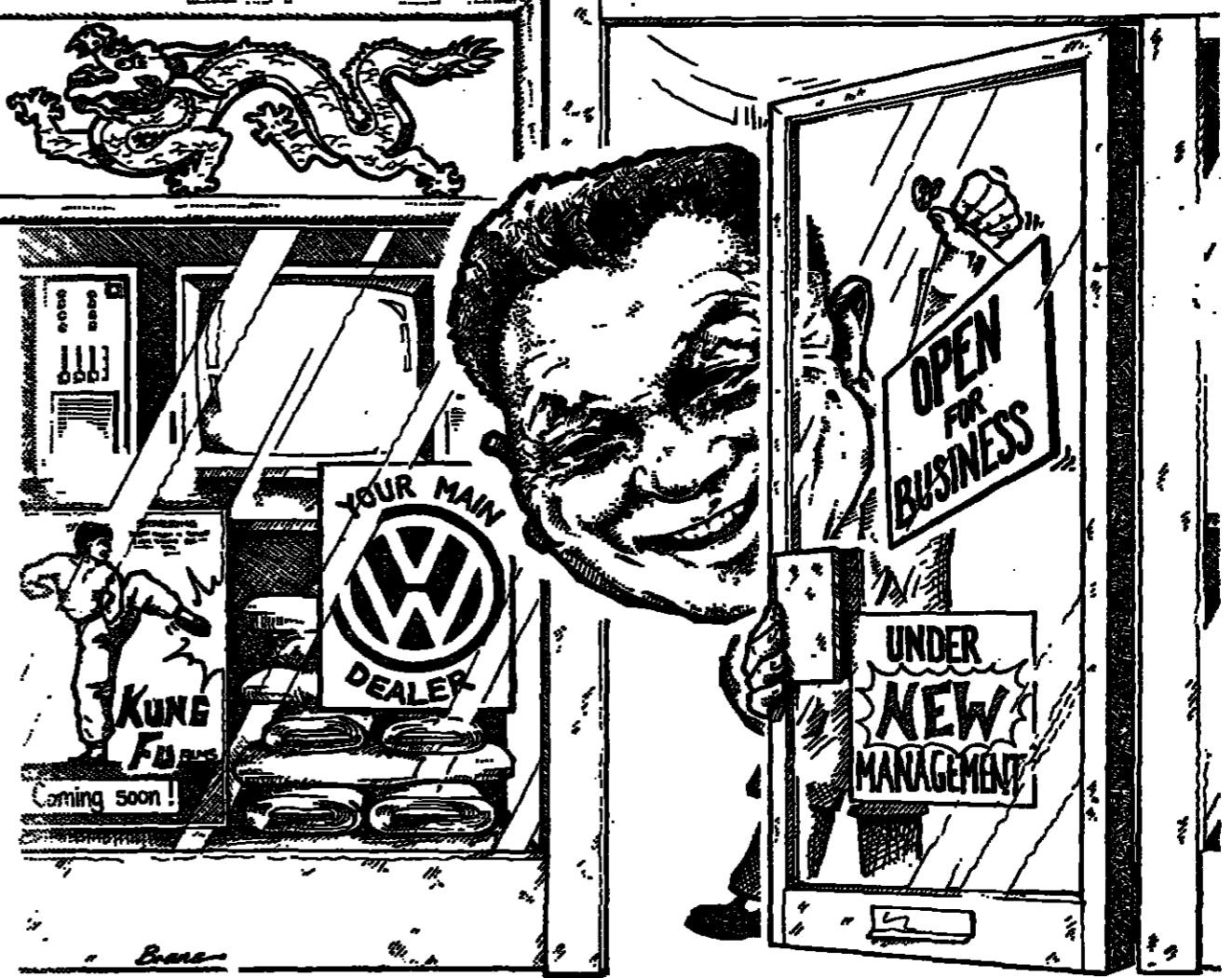
Since the announcement of China's "open door" policy, the nation's leader, Deng Xiaoping, has had to fight hard for even the slightest reform. However, for the first time, the achievements of economic flexibility are giving grounds for cautious optimism.

More flesh on skeleton of change

BY ALAIN CASS, ASIA EDITOR

THE temptation to be cynical about the possibility of real change, let alone lasting reform, in China is almost irresistible. The record of the past 35 years, after all, is not impressive. The grandiose folly of the Great Leap Forward, the frenzy of the Cultural Revolution, the excesses of the Gang of Four and, more recently, the bitter infighting which has accompanied attempts to impose the new liberal economic policies suggest a country profoundly at odds with itself. Since rising from the ashes of his political demise in 1978 to become China's new leader, Deng Xiaoping has had to fight every inch of the way to introduce even the slightest reform. He has had to fight a party where personal and political interests, a feudal tradition so deeply entrenched as to make almost all insurmountable, and sheer apathy are so ingrained that the notion of success seems fantastic. Then there is the sheer size and diversity of the country. The resentment felt, for example, in a deeply traditional province such as Yunnan in the distant south-west to change imposed from Peking is so strong as to be palpable. Party secretaries who see their position threatened by reforms which take away their power over people's lives, an army which fears that devolution will

loosen its grip over the country and old-timers who see no reason why the rigours of the long March should pave way for a horde of venal foreigners who wish to enrich themselves have all conspired to make Deng's job an Olympian task. Beyond all this there is the fact that Deng is 80 years old. His lieutenants, Prime Minister Zhao Ziyang and Party Secretary Hu Yaobang, do not begin to measure up to his political stature and, given the opposition to the new policies, why should anyone believe that when he goes, China will not revert to xenophobia and rabid dogmatism? Finally there is the problem of accurately gauging what is really happening in China. Chinese officials have been so used to concealing the truth from the prying eyes both of the outside world and from the majority of their own people that what may appear as refreshing candour under the new regime can be dismissed as little more than propaganda by jaundiced China-watchers. Even the party itself admits that its standing with most Chinese citizens as well as many of its 40m members is at its lowest ebb since Liberation in 1949. Youngsters who drag foreigners off the streets of China's big cities for a few minutes snatched conversation seem disillusioned, cynical and weary. An opinion poll about government policies in the streets of Shanghai would probably have produced the highest percentage of "Don't Knows" or, more accurately, "Don't Care" than anywhere else outside the Soviet bloc, until quite recently. But things may, at last, be changing. How profound that change is likely to be and how lasting only time will tell. But the evidence of the past five and, more particularly, the past two years suggests that something akin to an irresistible force is on the move. It is called consumerism. Over the past five years Deng has pushed through a series of major reforms which, taken together, form the most determined attempt to bring about fundamental change in China since Mao Tse-tung led the revolution in the late '40s. They range over the entire gamut of domestic political, economic and foreign affairs. Of these the most far-reaching and the ones which touch most people's lives, are the economic reforms aimed at attracting foreign investment, liberating China's idle productive forces and streamlining a bureaucracy where spongy and entrenched interests have systematically blocked progress. The measures announced at the Central Committee meeting of the party held in October were, at least on paper, more far-reaching than anything yet attempted in the communist world. They included policies to free centrally-set prices for industry, slashing subsidies with the attendant risks of allowing inefficient enterprises to go under and giving more freedom to production managers in factories. The measures, opposed, it is true, by many left-wing stalwarts within the party were at least equal in importance to those which abolished the commune in the countryside, where 80 per cent of China's 1.1bn people live and work, and introducing a strong measure of the free market. Taken together they amount to an attempt by Deng and his followers to smash what the Chinese aptly call "The Iron Rice Bowl", a system where everybody is assured of a living wage and a roof over their heads regardless of how much effort they put into their job. It is an attempt, never before successful, to merge communism and market forces. If it succeeds, Deng will have made an historic change. In the past year or so a number of factory managers who were either inefficient or corrupt have been fired. Some



In this survey

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Crime: Deterrent posters return Page 3
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Yunnan: Peking increases tangible support to this remote outpost where stability is essential Page 12
Design: Philip Hunt, photography: Hugh Routledge

CONTINUED ON PAGE 3

The China Investment Guide is the definitive and authoritative source of essential information on the investment and trading infrastructure of China, its rules and regulations. Authorship has been coordinated by China International Economic Consultants Inc (CIEC), backed by a prestigious and broadly based editorial board which includes representatives of the Ministries of Economic Relations and Trade, Finance and Justice.

Published in both English and Chinese editions, the Guide is being distributed in China to officials responsible for investment and trade decision-making. For those businesses and organisations able to take advantage of the business opportunities which China offers, the Guide is an essential aid to establishing successful ventures. Much of the information is exclusive to the Guide and no other publication contains such a wealth of authorised facts and figures.

THE CHINA INVESTMENT GUIDE 1984/85

The new era heralded by China's 'open door' policy towards the West has presented untold investment and trading opportunities. Since the late seventies foreign trade has increased substantially and overseas investment is now welcomed. For businessmen and government officials involved, or planning to become involved, in investment and trade with China, a prime requirement is accurate information - who to approach in which organisation, which province offers the best location, what types of proposal are acceptable, the structure of government and relevant Chinese law. Now, for the first time, all this information has been brought together. The China Investment Guide provides comprehensive coverage of the Chinese business environment and investment conditions, the appropriate laws, regulations and procedures, and the policies and priorities of the Chinese authorities toward foreign investment. Among the special features which make the Guide the authority are:
- Totally reliable translation of key trade and investment legislation by an official consultancy organisation.

CIEC, whose legal office is authorised by the Ministry of Justice to handle legal matters involving foreign interest.
- Up-to-date and comprehensive statistics and data on China's Special Economic Zones, main cities, provinces, municipalities, and industries not easily available outside China and certainly hitherto not consolidated in one volume.
- Lists of all the organisations, consultant corporations and companies involved in foreign trade and investment, their personnel, structure and functions - essential to the foreign traders and investors who need to know who to contact and how in a country of China's size, population and complexity.
- Discloses the essential procedures and problems likely to arise in Sino-western negotiations - the view of the official policy and strategy with regard to foreign trade and investment.
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essential for the foreign visitor. This major investment guide has been written with the approval of the official investment consulting corporation, China International Economic Consultants Inc (CIEC). The editorial advisory board includes key personnel from the Ministry of Foreign Economic Relations and Trade, the Ministry of Finance, the Ministry of Justice, China International Trust & Investment Corporation, the State Planning Commission, the State Economic Commission, the State Economic Research Centre as well as the Bank of China, the People's Bank of China, the Customs authorities, and other important state departments. Obviously, with such a distinguished team of advisors, all the information contained in the Guide's twenty chapters can be confidently relied upon.

YES Please send me \_\_\_\_\_ copy/ies of the China Investment Guide and bill me. Prices: £45; US\$65; Aust \$95; Singapore \$198; HK\$560.

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Colina MacDougall examines the success of five years of "open door" policy and economic flexibility.

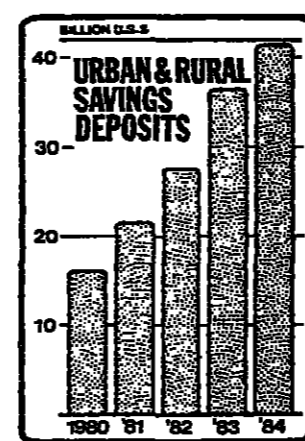
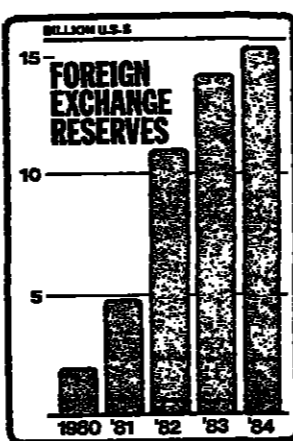
Deng's hand strengthened by tangible results

WHEN Deng Xiaoping first announced economic flexibility and the "open-door" policy in early 1978...

these at the latest Central Committee meeting, held in Peking in mid-October...

Five years later, China has a grain surplus, free markets are booming and private enterprise is generating millionaires...

The economic functions of the former communes are being taken over by collectives and sometimes even by private individuals...



ABOVE: Leather jackets mark a swing to a more Western style of dress and a boom in the consumer economy.

Balance of payment trends table with columns for 1983, 1984, 1985, 1986, 1987, 1988 and rows for various economic indicators like exports, imports, trade balance, etc.

Reserves of selected countries and regions

Table showing foreign exchange reserves and gold reserves in billion U.S. dollars for various countries including U.S., West Germany, France, Italy, Switzerland, Japan, CHINA, UK, Belgium, Austria, Spain, Taiwan, Canada, and Australia.

More remote, but possibly realisable at a later stage, are plans to develop the enormous coal reserves in South West China and oil in the far west...

This plan sounds practicable. The Chinese approach to development has become more cautious since the days of the Great Leap Forward and increasing contacts with foreign companies have led to more understanding of the need for proper planning and feasibility studies.

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Handwritten signature in Chinese characters at the bottom center of the page.



Society

Consolidating on success of pragmatic policies

Politics

COLINA MACDOUGALL

ON THE STROKE of 10 on October 1, as the band played "Song of the Motherland," Deng Xiaoping and his lieutenants walked out into the bright Peking sunlight to review the National Day Parade, the first for nearly 20 years. It was a moment of triumph. On the 35th anniversary of the People's Republic, Deng could proclaim the success of his pragmatic policies (including the return of Hong Kong) on the very spot where Mao had hurled China to the Left in 1966 at his Red Guard rallies in Tiananmen Square. It was a moment of triumph. On the 35th anniversary of the People's Republic, Deng could proclaim the success of his pragmatic policies (including the return of Hong Kong) on the very spot where Mao had hurled China to the Left in 1966 at his Red Guard rallies in Tiananmen Square.

Tiananmen supported the view that Deng's power is continually strengthening. Hua and Zhao, especially Zhao, standing close to Deng looked like men well able to carry forward the torch of pragmatic economic development. Among younger leaders are Hu Qili, member of the politbureau's secretariat, and Li Peng, vice-premier in charge of energy, who are seen as future possibilities for their posts.

All this year the leadership has consolidated, not with major appointments like those made in 1983 (such as Li Peng's to the vice-premiership), but by quietly slipping younger, better qualified men into lesser posts. The recent appointment of Lu Dong, a travelled man with a technical background, to the post of chairman of the state scientific and technical commission in place of the ageing Fang Yi is a case in point.

The success of Deng's economic flexibility policies has boosted his standing nationwide and made it easier for him to ensure the promotion of like-minded people. Mao Zhiyong, the party first secretary in Hunan province installed by chairman Mao's successor (but no relation) Hua Guofeng, has been blasted for leftist crimes in his province. Even the army, hostile to Deng for undermining its influence, may be mollified by the prestige conferred by its growing professionalism. More than a million People's Liberation Army officers have had specialist training since 1979. Top leader Yang Shangkun said last month. Missiles, including China's latest ICBM, were on display in the October 1 parade. The crime rate, last year a worry for the social unrest it implied, is claimed to have dropped.



Chinese Premier, Zhao Ziyang and President Reagan shake hands at the conclusion of their meeting in China's Great Hall of the People earlier this year.

recognition campaign which had just been announced at the central committee meeting and turned it into a movement to denounce foreign influences polluting China. It undermined the confidence of officials who were applying the new economic flexibility and oppose the spirit of Deng's modernisation plans. Nevertheless, it took Deng Xiaoping over three months to stop it. After premier Zhao's visit to North America, where anxious businessmen asked him if it was an anti-Western campaign, it was turned off indirectly by hedging it about with so many restrictions that it proved impossible to continue. Deng Liqun was removed from his job, but he was politically strong enough for Peking to keep claiming that he had remained in charge of the campaign. Another important sign that Deng Xiaoping is not completely supreme is the slow progress of party rectification, the movement designed to weed

out or re-educate the 50 per cent of members who had joined as Leftists during the cultural revolution. The party is also passively resisting the loss of influence that will follow economic independence and the dissolution of the communes. Former powerful local cadres fear playing a limited role in future if Deng's ideas are carried out, since the party is supposed to keep to a policy-making role only. The Defence Minister, always a difficult post for Deng to fill because the holder must be someone acceptable both to him and the army, remains 74-year-old Zhang Aiping. He was recently reported about to be replaced but so far there is no change. With many of the military and party still unwilling Deng supporters, there must be a question over the future when he goes. Even Peking taxi-drivers ask: "After Deng, what?"

These factors all point to the growing security of the Deng leadership. But it is not yet home and dry. The best evidence for opposition comes from the anti-spiritual pollution campaign, which took off with lightning speed in October last year. Deng Liqun (no relation), party secretariat member and in charge of the campaign, appeared to hijack the party

Deterrent posters back

THE big white character posters detailing crimes committed have begun reappearing in Peking and many other cities across China. The red ticks slashed across each of them declare that the death penalty is still a potent weapon in the Chinese system of justice. In the capital, 28 men were shot last month for crimes including murder and rape. In Canton, four members of a gang of robbers were executed. In southern Yunnan province, one man was killed for allegedly spying for Taiwan and eight accomplices received long prison terms. The rituals of capital punishment in China remain traditional. Several mass rallies have been held in Peking and other parts of the country recently where the convicted—heads shaved, hands bound and placards strung from their necks detailing their crimes—are paraded before the large crowds.

The other probable reason for curtailing the campaign was the massive publicity which it generated overseas, most of it highly damaging to China's efforts to sell itself as a country of stability, justice and fairness. One of the few voices raised against China's heavy use of capital punishment has been that of Amnesty International. In a 130-page report on human rights abuses in China, released late last month, Amnesty detailed how the implementation of the death penalty in China in recent years has contradicted the Government's claims to have restored the rule of law and to have done away with summary justice.

National People's Congress on September 2 last year, at the outset of the campaign, threw out any suggestion that presumed innocence should be the starting point of a criminal judicial hearing. The measures declared that cases carrying capital punishment should be tried swiftly "if the major facts of the crime are clear, the evidence is conclusive and they have incurred great popular indignation." To speed-up hearings, courts were empowered to bring prisoners to trial without giving them a copy of the indictment in advance, without giving them advance notice of the trial or serving summonses to all parties involved—actions which had been required previously under the law of criminal procedure. The standing committee's decision also cut the time for appeal from 10 to three days, and a further change ended the requirement for local courts to have execution sentences approved by higher authorities. Those who do manage to lodge appeals can face a harsh reaction. A lawyer was recently arrested for a month by local officials and had his house ransacked after he appealed against a death sentence passed on a young client. The lawyer had mistakenly believed that his client was not yet 18 (the minimum age for execution). For his mistake, the lawyer was arrested on the orders of a public prosecutor and accused of "aiding and abetting" a criminal.

Crime

MARK BAKER

They are denounced, jeered and humiliated. Then, standing on the backs of open trucks, they are driven away to the countryside where they die, kneeling and blindfolded, from a single pistol shot through the back of the skull. The reappearance of the execution posters follows a respite in the first half of the year from the fierce anti-crime campaign between August of last year and January, during which at least 5,000 people and possibly as many as 10,000 are believed to have been put to death. The campaign was brought to an end probably for two reasons. First and foremost, it appeared to have achieved its objective of wiping out the most notable criminal characters of the period and scaring the wits out of many petty or potential criminals in the cities. The public security ministry claimed a 42.5 per cent drop in crime in the three months to the end of November compared with the same period in 1982.

While murder, rape and violent robbery are still the most common reasons for execution in the cases that are publicised, people can be executed for a wide range of often loosely defined offences including theft, bribery, embezzlement, organising a secret society, molesting women, gang fighting, drug trafficking, pimping or "passing on methods of committing crime." Amnesty report also condemns China for the inhuman way in which many prisoners are paraded and humiliated before execution, often in front of crowds of tens of thousands of people and sometimes on television. It points out the contradiction with China's law of criminal procedure, adopted in 1979, which says: "The execution of the death sentence should be announced, but the condemned should not be exposed to the public."

New measures enacted by the Standing Committee of the public...

More flesh on skeleton

CONTINUED FROM PAGE 1

have been put on trial and publicly sentenced to long terms of imprisonment. Power to do business with foreigners has been devolved to hundreds of enterprises, provinces and other units replacing the rigidity of a centrally-planned system where the only criteria that mattered in the past was fulfilling quotas set by the state. Special Economic Zones have been created to attract foreign investment with exceptional incentives. A web of carefully constructed legislation covering most aspects of trade has been developed to add credibility to the new concept of China as an international trading partner. These measures have been accompanied by a relentless effort to eliminate closet left-wingers in the party and bureaucracy. This effort, however, has not been as successful as Deng might have hoped. After initially claiming that millions would be effectively purged from the party less than 40,000—or one in every thousand—of the membership—has been expelled or disciplined. Travelling around China there is still plenty of evidence of opposition to Deng's policies. Officials admit that, either through lethargy or design, the implementation of the free market policies are being

thwarted in a number of places. But more and more meetings at every level appear increasingly articulate and adaptable to change. An important indication of the new leadership's determination to develop a more adaptable China, free of stultifying dogma, is the agreement reached with Britain over Hong Kong. It may, of course, never work. China by 1997, the date when the leases expires and Hong Kong reverts to Chinese control, may be a very different place. There can be no guarantees of continuity other than continuity itself. But that a major Communist power should apparently have accepted the idea of a full-power should tolerate a full-blooded capitalist enclave within its borders is unique. Striking evidence Perhaps the most striking evidence of change in China is, visual. Cities are coming alive again after decades of penury. Free markets bursting with produce even in the poorest part of the country. Shops filled with consumer goods, most of them manufactured in China, some in joint ventures with foreign partners. Sanyo stereo sets. A million colour television sets a year rolling off the production lines. Here and there women in make-up. Dance troupes, people organised by the state where, to rock music, the unmarried look for partners. High

heels and jeans. Leather jackets and Japanese cameras. Nearly 20,000 people, according to the Bank of China, with bank accounts totalling \$75m in foreign exchange. Wealth is encouraged. Profit is no longer a dirty word. China may not be a free country but the increased wealth gives its people a greater freedom of choice. There is of course no guarantee that any of this will last. China has torn itself apart in internecine conflict in the past and could well do so again. It is hard to gauge what dark and resentful forces lie in wait to take revenge after Deng, who seems untouchable, passes from the scene. The progress should also not be overestimated. Chinese industry is still riddled with inefficiency. The bureaucracy advancement. Foreigners who remains a major obstacle to progress. Red tape is still a way of life. Pride or "face" progress, foreigners who try and do business still come away exasperated wondering why they ever bothered. But there is change, however ponderous. The first skeleton structure of a modern society is being slowly put into place. Here and there it is being fleshed out with something more substantive. Five years after the launch of the open-door policy there seems to be, for the first time, some room for cautious optimism.

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CHINA 4

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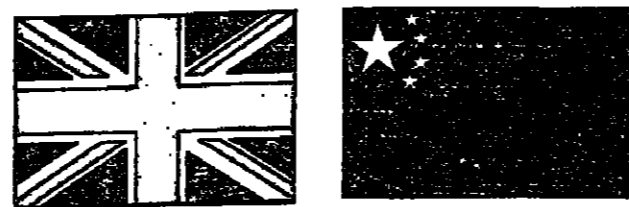
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**Testing time for Hong Kong**

THE Hong Kong agreement initiated on September 26 by Britain and China designed to ensure the prosperity and stability of the territory after it passes into Chinese hands in 1997 is, by any criterion, a remarkable document.

Under the agreement Hong Kong will retain its present political, social and economic freedoms; it will have unprecedented judicial, legislative and executive autonomy and will retain its present status as a major financial centre. All this, say the Chinese, will be guaranteed for a period of 50 years after 1997.

**Basic points**

It was clear from the start of the negotiations in September, 1982, when Mrs Margaret Thatcher, the British Prime Minister, went to Peking that China knew what it wanted, at least in outline, and intended to get it.

The final agreement, in fact, bears uncanny resemblance to China's 12 basic points released during the course of the talks in 1982. Certainly some hard and determined bargaining by the

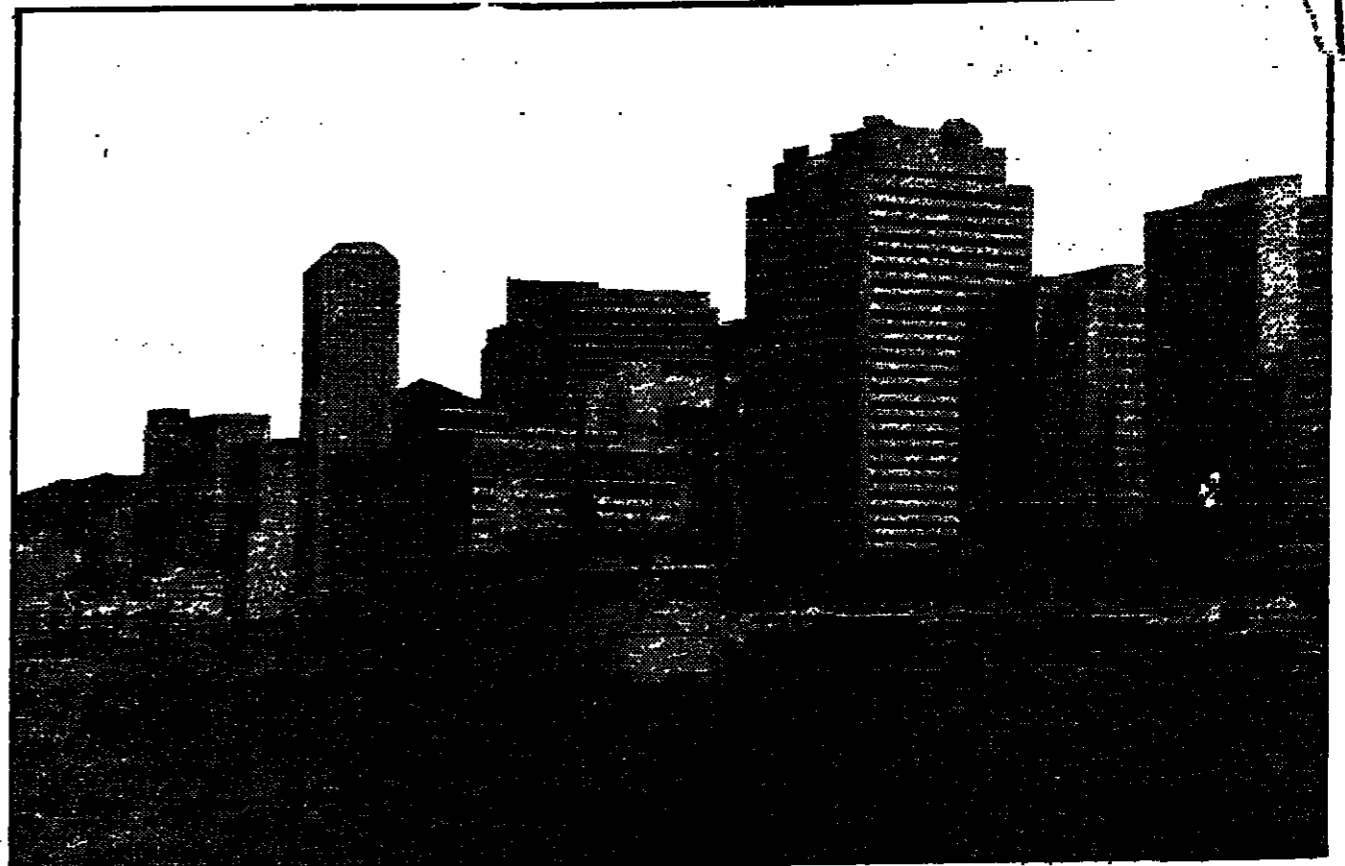
British side persuaded the Chinese to negotiate an agreement which was more detailed than Peking would have liked. It is also clear that, during the negotiations, Britain was able to educate China about the realities of running a capitalist territory and of the need for guarantees of continuity which went beyond mere rhetoric.

But, ultimately, China dictated both the pace and the substance of the talks. When it seemed that Britain would refuse to concede administration as well as sovereignty to Peking, China mounted an intensive public relations campaign in the summer of 1983 compelling the British Government to cave in that autumn.

This was followed by a barrage of propaganda by Peking designed to reassure the people of Hong Kong and the rest of the world that reason and not dogma was what lay at the root of China's negotiating position.

The significance of the agreement for China and the region goes considerably beyond ensuring the continued prosperity of Hong Kong. It demonstrates the determination of the new leadership in Peking to pursue policies which are pragmatic.

It signals to the rest of Asia that China wishes to play its part as a stabilising influence after three decades of uncertainty and xenophobia. And, finally, it marks China's coming of age as a



Hong Kong. The agreement initiated on September 26 demonstrates the determination of China to pursue pragmatic policies. But will the idea of a free-wheeling capitalist enclave within the world's most populous Communist nation stand the test of time?

fully-fledged partner in the international trading community.

Having settled the issue of Hong Kong, China is now likely to turn its attention to the more difficult issue of recovering Taiwan. An agreement which is seen to work in Hong Kong, Peking calculates, gives it the best chance of persuading the nationalist regime in Taipei to return to the fold one day under peace-

ful circumstances.

None of this, of course, guarantees that the deal struck with Britain will actually work. Confidence in the colony has been shown to be a fragile thing and China will have to tread carefully over the next 15 years if Hong Kong is to be in good shape when the Union Jack is replaced by the Five Star flag in 1997.

Beyond this is the uncertainty over what kind

of place China will be in 1997. Will Deng's policies endure? Will the idea of a free-wheeling capitalist enclave within the world's most populous Communist nation stand the test of time? However "binding" both governments say the agreement is, only the reality of experience will ultimately decide whether it works or not.

Alain Cass

**Handshakes across some strange borders**

WITH growing confidence about the strength of its domestic reforms, greater internal political stability and expansion of its international economic ties, China is beginning to exercise a more vigorous role in world affairs.

Since the new leadership under Mr Deng Xiaoping affirmed its control in 1976, China has been presenting itself as an independent, non-aligned nation that is both a part of and a champion of the Third World.

China has seen itself as an opponent of the superpower rivalry of the U.S. and the Soviet Union, a battler for a fairer world economic order, a solid friend of victims of colonialism and a somewhat pristine occupant of the moral high ground on the issue of nuclear disarmament.

From the perspective of self-interest, China's priorities have been to play off Moscow and Washington to ensure the maximum economic and strategic advantage, to counter Soviet-

Vietnamese power in Indo-China and to use Third World solidarity as its diplomatic soapbox.

But the overriding priorities of China's drive for rapid modernisation have forged some improbable new friendships recently, and created some awkward contradictions.

The necessity for advanced technology, capital and management expertise has drawn China inexorably closer to the U.S., Japan and Western Europe. This has stretched the credibility of its professed even-handedness between the super-powers and exacerbated the strains in relations with the Soviets.

**Wary ally**

China's international friendships now cross some strange borders. It is a staunch, if a little wary, ally of North Korea, but is progressively developing unofficial relations with South Korea. It is vigorously pressing the development of relations with most countries in both Eastern and Western Europe. It has strong links with Iran and Iraq, and Egypt and Libya.

China says its ambition is to develop friendly relations with all nations on the basis of principles of peaceful coexistence and mutual benefit. It says the necessities of concentrating on its economic modernisation are the guarantee that it will not act as an aggressor or expansionist.

But the initiatives of Chinese diplomacy, especially in the past year, show that China perceives itself as a substantial force in world affairs already and is actively seeking to expand its role.

Underlying most of its actions appears to be a pre-occupation with countering

Soviet influence—especially any spreading of Moscow's alliances in developing countries in Asia, Latin America, the Middle East and Africa.

This attitude explains the vehemence of China's hatred of the present Vietnamese leadership and its energetic backing of the anti-Vietnamese coalition fighting in Kampuchea. It also underpins the considerable effort Peking puts into cultivating North Korea and Pakistan and the continuing frostiness in its relations with India, despite some progress recently in mending fences.

China has been very active in attempts to promote differences between Moscow and its allies in Eastern Europe.

The Chinese President, Mr Li Xiannian, made a much-publicised visit to Romania in August to attend celebrations of the 40th anniversary of the country's liberation from the Nazis. He used the visit to applaud Romania's maverick role in the Warsaw Pact and to champion independent action by other Eastern Bloc states.

Several other senior Chinese leaders have toured Eastern Europe in the past year promoting expanded trade and other bilateral ties. In addition to Romania, relations appear to be growing steadily with Hungary, Yugoslavia and East Germany.

Mr Deng highlighted the provocative style of China's diplomatic initiatives in Eastern Europe when he declared firm support for German reunification during the recent visit to Peking by the West German Chancellor, Dr Kohl.

China's attitude towards the Soviets has hardened considerably this year. There appears to be pessimism within the Chinese leadership about the prospects for improvement in relations.

The Chinese believe Moscow has become more antagonistic and less willing to negotiate since the change of leadership in the Kremlin at the beginning of this year. They point to a rash of anti-Chinese rhetoric in the Soviet media since Mr Chernenko came to power, some of it by Mr Chernenko himself, and the cancellation of a scheduled visit to Peking in May by a Soviet Deputy Prime Minister, Mr Ivan Arkhipov.

A process of formal consultation between Moscow and Peking, begun in 1982 at the initiative of the former Soviet President, Mr Brezhnev, has become bogged down. Both sides say that a fifth round of the consultations beginning in Peking on October 18 will be little more than a formality.

**Three obstacles**

A six-hour meeting at the United Nations several weeks ago between the Chinese Foreign Minister, Mr Wu Xueqian, and his Soviet counterpart, Mr Gromyko, did not achieve the breakthrough China was hoping for.

The prospects for progress are not improved by China's rigid insistence that the Soviets must first act on the "three obstacles"—support for the Vietnamese occupation of Kampuchea, the Soviet occupation of Afghanistan and the continuing build-up of Moscow's military strength along its borders with China.

China's apparent unwillingness to give even a little ground on the preconditions is seen by the Soviets as evidence that China is not interested in repairing the relationship, beyond the gradual growth in bilateral trade and in trivial educational

and cultural exchanges.

The Soviets have been understandably piqued about China's contracts with the U.S.—especially the visit to Peking by President Reagan in April—and with China's effective new friendship with Japan.

The Reagan visit to Peking, and a visit to Washington in January by the Chinese Premier, Mr Zhao Ziyang, helped to set Sino-U.S. relations on a firmer course. While China recognises the importance of U.S. investment and technology for its economy, it is still wary of Washington. U.S. military support for Taiwan is still a volatile issue, although Peking seems more confident about its ability to influence U.S. policy on the matter and more confident of Washington's pledges to contain support for the Nationalists.

The agreement initiated last month under which Britain will return Hong Kong to China in 1997 has given China enormous confidence about its ability to achieve reunification with Taiwan by diplomacy.

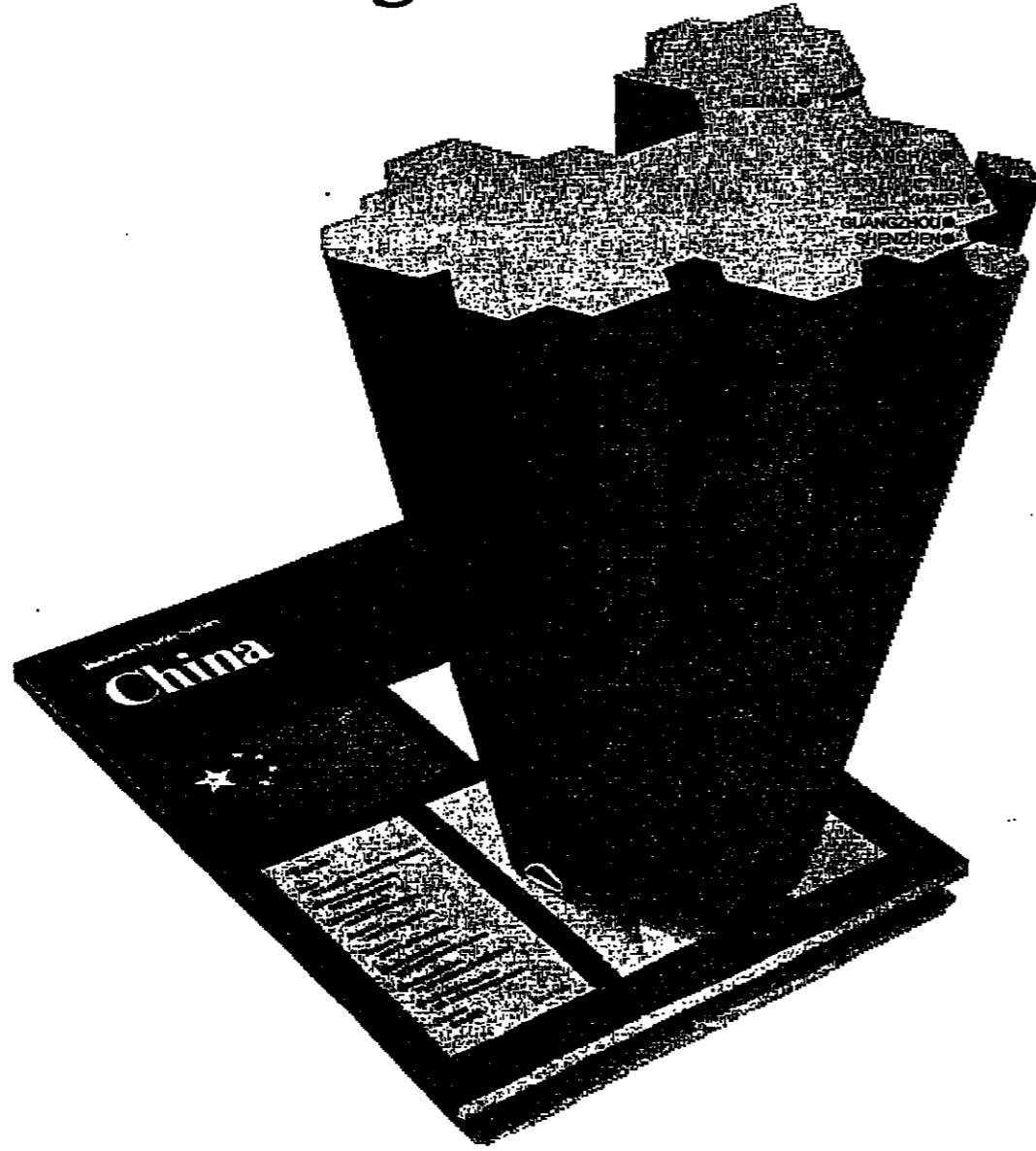
It was notable that the U.S. was one of the first countries to applaud the achievement of the Hong Kong agreement and the U.S. was generous in its praise for the "one country—two systems" concept under which the colony will keep its autonomy and capitalist system.

The U.S. stand carried an ominous ring that was not missed by the increasingly nervous Nationalist Chinese regime in Taiwan.

The Hong Kong agreement itself is a formidable example of the diplomatic skills of China and a sign of its ability and determination to claim its place among the most powerful nations of the world.

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# Problems of extent and applicability remain

**Law**

STANLEY LUBMAN

CHINA'S economic law-makers are continuing to establish a framework for foreign trade and investment. However, the certainty and predictability which the new laws are intended to foster could be undercut by administrative confusion which may result from new reforms of the foreign trade bureaucracy.

The legal vacuum in which the China trade was formerly conducted has ended, and a new legal regime is being created to facilitate transactions, sometimes large, for the transfer of technology and capital. New laws on foreign economic contracts are expected to be added to legislation on equity joint ventures, taxation of foreign economic activity in China, and most recently, patents. The work of creating a domestic legal system is also continuing, and at least general principles may appear soon on property ownership and succession.

**Common pattern**

However, these first attempts cannot regulate in great detail the complex transactions which are now possible. Many issues must be negotiated and carefully addressed in contracts. A common pattern in Chinese law-making has been the appearance of very general, sometimes skeletal laws, followed later by more detailed implementation regulations. Often, too, new legislation is "provisional" or "interim." Moreover, practice has neither been uniform nor readily ascertainable.

Problems remain in determining the scope and applicability of new laws. Foreign investors sometimes find that eager Chinese partners may offer to make arrangements that seem inconsistent with the new laws. Also, although the growing volume of promulgated legislation is impressive, a body of rules of indeterminate size

continues to guide the conduct of officials in their negotiations with foreigners, but remain "internal" and only accessible to the officials. Mr Gu Ming, deputy secretary general of the State Council and head of its economic legislation research centre, has repeatedly told audiences in China and abroad that foreigners cannot be expected to obey laws whose contents they do not know. Nonetheless, it still remains difficult to ascertain the content of some rules, and even more difficult to unearth information about administrative interpretations of published rules.

**Reforms announced**

Changes in policy continue to affect the legal system, and recently announced administrative reforms may, at least in the short-term, seriously impinge on foreigners' transactions in China. "Laxer laws to attract foreign technology" proclaimed the lead headline in the China Daily on October 13. The news item thus introduced went on to say that new laws would "end the monopoly of foreign trade by bureaucratic companies" as local governments and enterprises would be granted the power to engage in foreign trade transactions directly with foreigners. Although there would be some "duplications and waste," stated a spokesman for the State Economic Commission, "the benefits of introducing advanced technology more quickly would outweigh losses."

Recent experience suggests the problems that may arise: in 1979, the highly centralised system modelled after the Soviet one was decentralised, producing competition among provinces and cities and confusion about their authority to sign contracts without obtaining approval from Beijing. Only slowly did partial decentralisation restore order.

Also, within the last 12 months' domestic economic reforms produced a phenomenon previously almost unheard of in the China trade, when some Chinese sellers refused to honour contracts signed last Autumn unless their foreign customers agreed to pay higher

prices on goods which had not yet been delivered. Some enterprises which had previously been required by state plans to export their goods were given discretion over where to sell and chose to sell on the domestic market, where quality standards are less stringent and prices sometimes higher. Foreign trade corporations were embarrassed, and protests made to the Ministry of Foreign Economic Relations and Trade (Mofert) and to Chinese commercial attaches in Europe and the U.S. Hong Kong buyers were hard-hit.

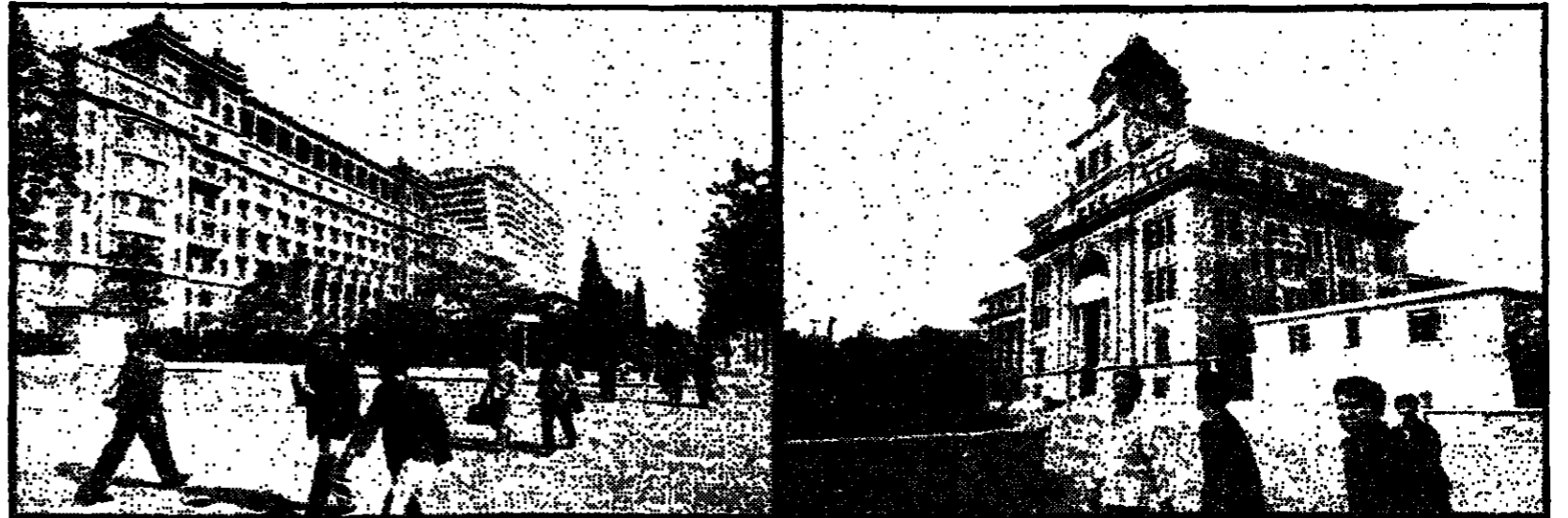
The latest reforms may go further than the previous ones. Already announced has been the intention to separate the state foreign trade corporations from Mofert, supposedly to run them as businesses. In addition, 14 cities are to be granted greater autonomy in signing contracts for equity joint ventures with foreigners. The reforms announced in the China Daily on October 13 signal even greater decentralisation.

New companies are appearing briskly and offering to do business. A noticeable development has been the creation of commercial organisations by research institutes, many of which have small factories attached to them. They may have high hopes, but they also have little experience.

**International trade**

Foreign traders may find that goods which they obtained previously from Mofert-run corporations may be diverted to newly established or authorised entrepreneurs with a bent for international trade. Foreigners who want to invest or explore technology transfer are likely to have a bewildering assortment of would-be partners anxious to make deals but without the capacity to follow up on their contracts.

Much will depend on whether Mofert and provincial and municipal authorities can exert control without stifling initiative in the meantime, emerging Chinese legal institutions may be too fragile to avoid being injured by the promised bureaucratic reforms.



LEFT: Most new offices are being located in hotels but prices are constantly escalating. RIGHT: Headquarters of the Bank of China, which with other leading government units vets foreign applications to set up business in the country

# Patience is the vital commodity

**Setting up an Office**

MARK BAKER

ONE of the first steps to establishing a business office in China is to remember that the Chinese invented bureaucracy and have now refined it to a national art form.

Another thing to keep in mind is that the Chinese bureaucracy views every foreigner as the owner of a bottomless well of foreign exchange, and every foreign company as in the business of philanthropy.

You must bring to China boundless reserves of patience, good humour and cash. No matter how many friends you think you have in China, or how powerful they might appear, it is the great, grey juggernaut of the bureaucracy that really runs the country.

It is when you come to establish your Chinese base that its tentacles descend, dissolving the warm memories of all those smiles and handshakes, banquets and moutai toasts of the honeymoon before you signed the deal.

It can now be substantially more expensive to establish and operate a basic representative office in Peking than in Mid-Town New York. On top

of grossly inflated rentals and wages (compared with local pay rates), new arrivals face chronic bureaucratic inefficiency, conflicting regulatory authorities and very restrictive operating conditions.

Despite these logistical and often uncertain commercial prospects, about 800 foreign representatives offices had been established in China by early this year—three quarters of them in Peking.

The first step for all these equity joint-venturers, contractors, bankers and traders has been to find a Chinese enterprise to be their partner or sponsor them through the administrative maze.

The vast majority of the commercial foreigners in Peking operate one-man representative offices which are barred from engaging directly in profit-making activities. Their work is restricted to liaison work, consulting, market research and general information-gathering. They are not allowed to sign contracts or receive fees or other income within China.

Such representative offices must register with the state administration for industry and commerce (SAIC). The Chinese sponsor or host organisation assists with registration formalities, as well as helping to with accommodation, visas and customs clearances.

Depending on the nature of their business, newcomers must be approved by either the trade ministry, the Bank of China, the Ministry of Communications

(Transport), the Civil Aviation Administration or other leading government units.

After extensive paperwork, an initial registration fee of Yuan 500 (\$234) must be paid to SAIC plus a fee of Yuan 100 for each resident representative. The registration must be renewed each year after payment of another Yuan 300 along with detailed reports on what the office has done during the previous year. For financial institutions, the registration period is three years, with three-year renewals.

**Imported duty free**

The office and representatives must be registered also with the public security, customs and tax authorities, office materials and personal effects may be imported duty free for an initial six-month period but there is duty and tax of more than 90 per cent on some major items, including motor vehicles and video recorders.

The greatest expense and complication is in obtaining office space and residential accommodation.

Only diplomats, journalists and airline representatives may rent the reasonably priced apartments and offices within the three foreign residential compounds in Peking. The rest must scramble for scarce and expensive space in hotels or the handful of other premises permitted by the authorities.

The cheapest office space is in several grubby Soviet-built

hotels located in various inaccessible parts of the city. The rents range from about Yuan 39 per square metre per month to about Yuan 86.

But most new offices are being located in one of the four foreign joint-venture hotels opened in Peking in the last couple of years. Here the monthly rents range from Yuan 124 a square metre to Yuan 217 at the lavish new Great Wall Hotel.

These constantly escalating prices are likely to jump further still when the China International Trust and Investment Corporation (Citic) opens its 24-storey headquarters in the new year.

The building, the first modern office block constructed for the use of foreign firms, will be letting office space at about £22 per square metre a month—a stiff competitor to top rents in central New York, Paris, London and Hong Kong.

Office staffing can also create considerable problems. Representative offices are effectively forced to hire all their assistants from a Government Agency, the Foreign Enterprise Service Corporation (Fesco). They are not allowed to use even foreign students or diplomats' spouses.

Fesco provides interpreters, secretarial and clerical staff, drivers, housemaids, even dance instructors and calligraphy teachers. But foreign offices have no choice in the selection

of these personnel, many of whom are poorly trained and all of whom are required to report on their foreign bosses to weekly political meetings.

The salaries range from about Yuan 300 a month for drivers to as much as Yuan 1,000 a month for skilled graduate linguists. The foreigners must pay these salaries direct to Fesco and the staff usually receive only about a quarter of the money paid.

The magazine "China Business Review," published by the National Council for U.S.-China Trade, estimated in April this year that foreign companies must spend in the range of \$35,000 to \$180,000, excluding salary and benefits, to maintain a representative office in China with one expatriate staffer.

The magazine said it was not uncommon for large multinational corporations to spend more than \$1m a year "trying" to do business with China.

The general calculations do not, of course, include some of the hidden charges which are often foisted upon unsuspecting foreigners by different sections of the bureaucracy.

A Western mining company representative was recently forced, by a sudden jump in rent, to move from accommodation in the grounds of the Summer Palace to a more modest hotel. He was quoted as Yuan 9,000 to move his belongings a distance of about 10 kilometres. Despite great protests, he was still forced to pay Yuan 5,000 for the simple removal job.



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NORINCO has its headquarters in Beijing and five branches in Guangzhou, Shenzhen, Dalian, Tianjin and Shanghai respectively.

NORINCO engages in wide-ranging business activities, including the following main areas:

**I. Heavy Industry**

The factories and institutions operated by NORINCO own high precision heavy-duty metal-cutting machines, press-working equipment, metal forming equipment, melting furnaces as well as other equipment for manufacturing various complex metal parts and metal blanks such as steel castings, iron castings, investment castings, finish forgings, die forgings and free forgings.

NORINCO manufactures a wide range of industrial products in full specifications and of excellent performance to meet the needs of all end-users. NORINCO'S heavy industrial products include heavy machinery, standard and custom-made equipment, chemical processing equipment, construction equipment, heavy-duty vehicles, hardwares, tools and other heavy industrial and electrical products.

**II. Light Industry and Chemical Industry**

NORINCO'S light industrial factories and chemical plants possess up-to-date chemical processing equipment and utilize advanced methods. They produce different kinds of high-quality products including chemicals, high polymer materials, paints and coatings, explosives and related items, plastic products, labour safety devices and other light industrial products.

**III. High Precision Machinery, Optical and Optical-Electronic Industries**

In the field of high precision machinery, optical and optical-electronic instruments, NORINCO has rich

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**IV. Technical and Commercial Cooperation**

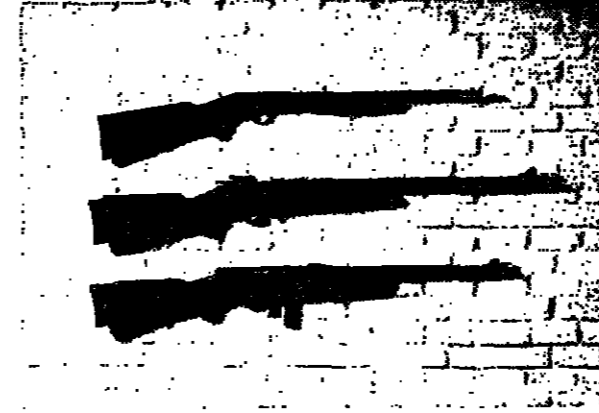
NORINCO wishes to develop business relations with firms, enterprises, commercial organizations and individuals the world over. In addition to export trade encompassing the above-mentioned products, NORINCO welcomes orders to process materials or assemble components supplied by foreign companies. Moreover, NORINCO strongly encourages compensation trade and joint ventures.

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CHINA 8

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Groundroots of the Chinese education system, the nursery school. Almost all of the nation's mothers have a job outside the home, with the nursery school playing the dual role of minder and teacher.

**The old school tie back in fashion**

**Schools and Universities**  
 COLINA MACDOUGALL

"YES, we've got some students from one of Canton's 'key schools' the No. 2 Middle School," said Mr Liu Dawei, Deputy Director of the Foreign Affairs Office of Jiaotong, at Xian in Shaanxi Province, one of China's ten 'key universities'.

"We have contact with many of the key schools," he said, sounding like an "Oxbridge" tutor speaking of Eton or Westminster.

Elitism is the name of the game in China's education today. Mr Liu agreed that your chances of getting to university, especially a key one, were slim if you hadn't made it to a key middle school (middle being the Chinese term for secondary).

Why anyone should bother is surprising when there must be millions of peasants and workers who earn far more than intellectuals. A young farmer we met selling greens in Xian market from the back of beyond in Shaanxi province was making Yuan 50 (\$19.5) a month more than a professor.

Intellectuals, the "stinking ninth" category of evildoers, as they were labelled in the Cultural Revolution, have had a hard time in China. But

residual respect for intellectual rooted in Chinese culture, and achievement remains deeply under Deng Xiaoping's good degree is a passport to a more interesting life and possibly trips abroad.

This elitist education policy is just beginning to produce some of the trained minds the country needs for its modernisation. It is also pushing for more money and status for teachers.

The elitism is quite deliberate. The "key schools" system was introduced about five years ago, to enable Peking to concentrate investment on particular schools.

Canton's No. 2 Middle School is impressive, an attractive series of buildings set on a hillside near the Sun Yat Sen

memorial. It has a sports ground (small by English standards) and a brand new science building costing Yuan 400,000.

"The nationwide university entrance exam system began in 1977, since when we've stepped up the number of pupils getting places from 14 per cent to 90 per cent," said Mr Chiang Zhileng, school manager and party boss. "With extra coaching for the slow ones, we hope to make it 100 per cent next year."

The school has a stiff entrance exam. Naturally the consequence is that only 35 per cent of the intake comes from worker families, compared to 70 per cent in the normal schools. The rest are split more or less evenly over cadres, intellectuals (in this context, while collar jobs), small businessmen and former capitalists.

Mr Chiang said, adding that a few suburban peasants came in under the last category.

For such a high-pressure establishment, the teenagers fooling about on the sports ground seemed surprisingly normal. The last two periods every day are devoted to games (volleyball and the like) and the school corridors were full of chattering groups eager to practice their English.

Jiaotong university in Xian,

where many of these teenagers will want to go, specialises in maths, science and engineering. Founded in Shanghai, in 1896, it's an old university but moved to a new home in Xian in 1956 to help develop inland China. The university can choose its own students from all over the country. "We don't pay much attention to political background" said Mr Liu. "What matters are exam results."

15,000 by the end of this century. There are about 30 foreign scholars in residence, teaching English or, in a few cases, technical subjects.

To fund these projects, the university gets Yuan70-80m a year from state. Is this money well spent in terms of what graduates are then able to contribute to modernisation? "In the last couple of years, they've been able to go on to suitable jobs," said Mr Liu. "If they don't like them, they can ask for a change within six months. If they write to us, we can help them."

Mr Liu's colleague Mr Yan Ching laughed aloud at this in the past, and probably still, intellectuals have had little pull with government officials.

Teachers' pay has been a measure of this — at Yuan 150 per month for a full professor it is way behind what many other workers can now bring home. "The government has produced a draft plan for salaries, which we're now discussing," said Mr Liu. "We should get a decision next year." With this better pay and conditions which will enhance their status, academics should have more influence on how best to deploy trained manpower.

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Mass gymnastic ranks of scholars at a secondary school in Peking.

**Painfully slow moves away from bureaucracy**

**Management**  
 COLINA MACDOUGALL

"I GOT 20 telexes in one day," said the Chinese manager crossly to his foreign opposite number. "How do you expect me to cope with so much work?"

"Cash flow? What's that?" said another.

"Leasing? If we lease equipment we'll end up paying more for it and we still won't own it," commented a third.

"Every time I make a photocopy, I have to get written permission from the deputy manager," said a junior member of staff.

China still has a long way to go in improving management. Simple office procedure is immensely cumbersome and the planning and administration of large schemes hopelessly inadequate. In China, the further you go from outside influences the more rigid the management, the legacy of years of Soviet influence and centuries of bureaucracy.

system reform." In the construction companies working for foreign joint venture staff in Canton, total disorganisation reigns as painters arrive before plasterers, plasterers before electricians.

The problem for China is so vast that it's difficult to know where to begin. The main route the Chinese have chosen is to encourage foreigners to go into joint equity ventures with them so that when they get the technology (for oil, electronics or hotel management) the foreign side shows them how to make best use of it.

Possibly the Chinese could get along faster if they hired managers or consultants to run or advise on existing enterprises. However, they seem convinced that no foreigner would work well unless his own business interests were directly involved.

They appear not to have thought about what other incentives they could provide which would have the same effect. In any case they probably fear the irritation of foreigners on to the domestic scene would carry unwanted overtones of colonialism.

A few tentative steps have been taken in importing managers in Guangdong province—where for instance a Hong Kong supervisor checks quality at the Chen Cun garment assembly plant outside Canton—but Guangdong is far in advance of other regions because of its proximity to Hong Kong.

Other gradual progress has started there. Foreign oil companies based in Guangdong say their meetings with the Chinese have become much more frequent and less formal.

China has one management college at Dalian in Liaoning, set up with U.S. help several years ago. But its influence is extremely limited because of the size of the country and the lack of serious interest in business studies elsewhere.

In Canton, for instance, the Overseas Chinese University has what is said to be one of the best four or five economics colleges in the country, but although business studies are taught it is mainly the Overseas Chinese students, who form 70 per cent of the university's pupils, who take the course. The locals study central planning instead.

**Little contact**

The university sent staff to Dalian for training when it first started, but since then there appears to have been little contact. This year only one man is going and he is looking at the library, not taking courses.

At Jiaotong University in Xian the situation is similar. Admittedly it specialises in science and technology, but as one of China's 10 "key schools" one would expect at least an accounting course as part of the teaching of plant management. "There isn't one," said Mr Liu Dawei, deputy director of the university's Foreign Affairs Office.

"In the management engineering course, we teach foreign and Chinese plant management," said Mr Liu. "It includes maths, physics, chemistry, engineering, computer science, economics, theory of control and systems engineering. Our students have foreign material in the library."

This was not altogether accurate. Although the post graduate library contains foreign metallurgy journals and similar, there appeared to be no management texts. Undergraduate students are not allowed to use the foreign library.

"Our students gain experience in Chinese factories," explained Mr Liu. Sadly, this seems likely to perpetuate the very traditions of bureaucracy and waste that Peking would like to abolish.

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Economic Flexibility

CHINA 9

Fencing in ideological problem

Shenzhen MARK BAKER

CHINA is building a new wall... stretches through the hill country north of Hong Kong...

When it is put into operation later this year, the new boundary will not be protecting the territorial integrity of China...

Six years ago Shenzhen was a quiet valley of rice paddies, sleepy villages and fishing inlets...

Today Shenzhen is a bustling metropolis of 850,000 people. Its central business district is a nest of skyscrapers...

Shenzhen is the biggest of China's four special economic zones (SEZs), the "open doors" of China's bold policy to speed modernisation...

Prosperity

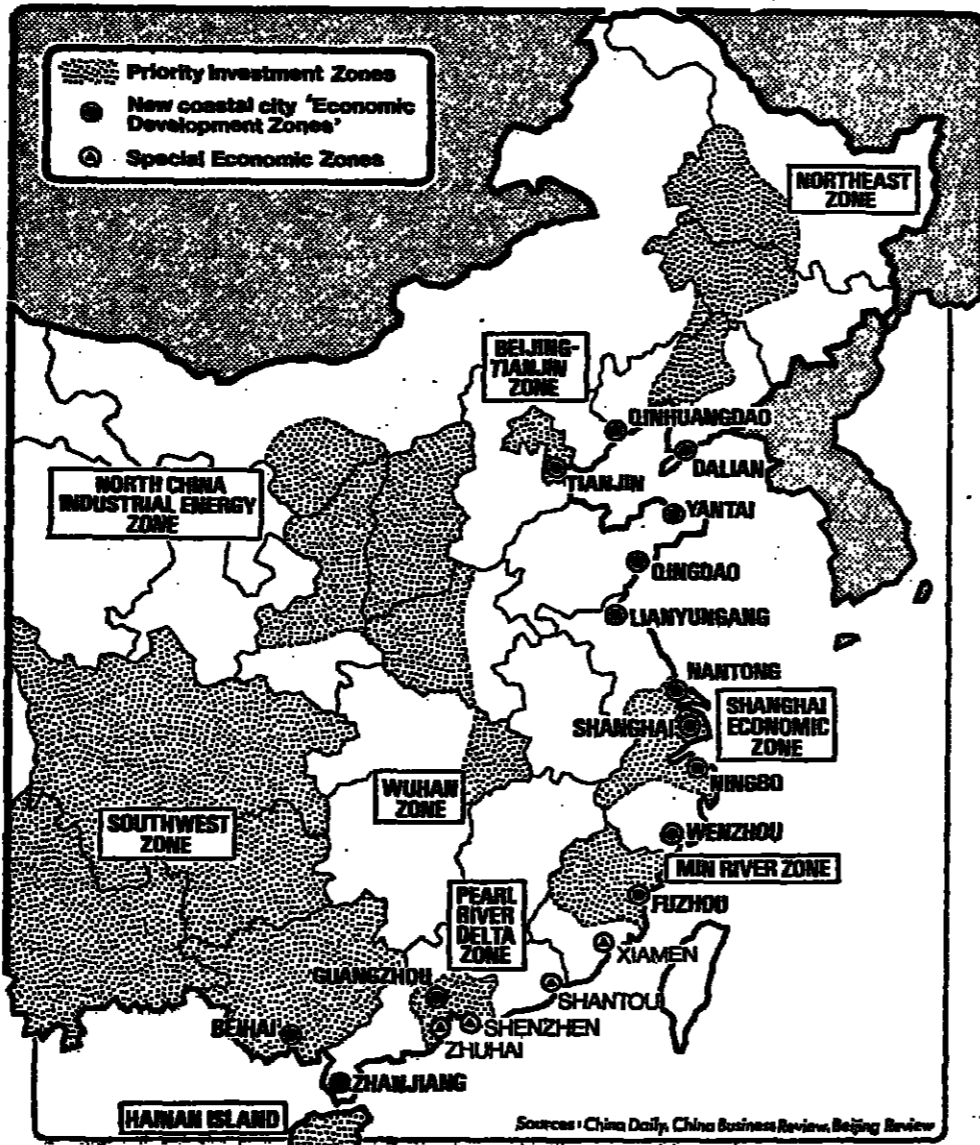
Shenzhen is also presented by the Chinese leadership as proof that they can and will preserve the stability and prosperity of Hong Kong after the British depart in 1997...

One of the short-term answers has been to build a fence.

When the new boundary is in operation, Shenzhen will be sealed off from the rest of China as effectively as Hong Kong is now.

Once the territory is secure, Peking plans to create an industrial and commercial centre around the capital and to make Shenzhen its already. The region will have its own currency, most controls on wages and prices will be lifted and, as far as the Chinese are concerned, there will be no direct contact or movement between the area and Hong Kong.

But the fence is as much a



generally lower and investors can negotiate most contracts directly with local officials, avoiding the "red tape" of seeking approval from higher authorities in Peking.

Diplomatic priority

Hong Kong is the centrepiece of both China's long-term economic strategy and its highest diplomatic priority; national reunification.

The nationalist Government on Taiwan has for 35 years bolstered its fragile independence from the communist motherland by its vigorous success as a modern capitalist economy.

Earlier this year he gave an unequivocal endorsement to the zones — and to the longer-term "hands off" strategy for Hong Kong — in a special inscription he left: "The economic development of Shenzhen proves that the policy to set up the SEZs is right."

China has already spent \$1bn on infrastructure in Shenzhen, and more than \$400m has been spent and another \$2bn committed by foreign investors to establishing new enterprises and industries in the zone.

symbol of China's nervousness about the radical economic policies it has adopted as it is proof of commitment to those policies.

In Shenzhen, the three other SEZs and 14 cities along the eastern coast recently given new freedoms to negotiate foreign investment, China is attempting to emulate the spectacular economic success of Hong Kong.

The obvious dilemma has been to try to justify in terms of socialist theory the use of such patently capitalist methods. The other, probably greater problem is how can you allow such a great influx of Western ideas, riches and technology without undermining what is still a poor, regimented and morally conservative Communist state?

The speed of change in Shenzhen suggests that Peking will need more than barbed wire and armed guards to quarantine its economic experiment.

Shenzhen has already become a place of almost "cargo cult" glamour to people throughout China, second only to the materialist Nirvana of Hong Kong.

The new city has become a magnet to Chinese from Canton, from rural areas of the surrounding Guangdong Province and from more distant parts of China, especially the young. In the streets of downtown Shenzhen materialism rules. Young lovers preen and parade in make-up and mini skirts and

fake designer jeans. Youths in leather clothing and reflective sunglasses ride imported motorcycles.

Glittering department stores of chrome, mirror glass and plush carpet are crammed with Nikon cameras, microwave ovens and foreign liquor and cigarettes.

Shenzhen is the only place in South East China where people are allowed to tune into Hong Kong television.

The Chinese authorities have been alarmed by indications that criminal "Triad" groups from Hong Kong have moved into Shenzhen with small-scale rackets in smuggling, drugs and illegal migration.

Decadence

The signs of decadence in Shenzhen have hardened the views of critics of the "open door" policies within the Chinese hierarchy and given fuel to the small minority which is firmly opposed to the more liberal approach of China's leader, Mr Deng Xiaoping.

There has also been a strong lobby, especially within the Guangdong Provincial Government, against the Shenzhen fence. It is argued that it is unfair and ideologically unacceptable to draw such an arbitrary division between Chinese people.

Decentralisation

Despite the apparent benefits of this decentralisation trading is not as simple as it may sound. In practice it is not clear exactly who among this plethora of new bodies has authority to trade or authorise foreign investment.

But Mr Deng is undaunted by such opposition. During a tour of Shenzhen and the other SEZs added to earlier this year when China established its own Central Bank by giving the People's Bank of China that status. This was done in two stages.

Off on another long march

Open Door Policy

ALAIN CAS

CHINA'S open-door policy marches on. Earlier this year 14 additional cities were opened to potential foreign investors. These include Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Nantong, Nongbo, Shanghai, Baishan, Liangyungang, Wenzhou, Fuzhou, Guangzhou and Zhanjiang.

These cities, along with the existing Special Economic Zones, will be given greater freedom to attract foreign investors by offering individual incentives. Already many of them are copying some of the major provinces and SEZs in preparing legislation for foreign businessmen.

The opening of the 14 cities took place, according to some reports, against some lingering left-wing opposition chiefly among senior army officials. The move represents possibly the most important step forward in Deng Xiaoping's open-door policy since the setting up of the first SEZ in 1979.

China has also sought to flesh out its existing laws to reassure foreign trading partners. These are more fully discussed elsewhere in this survey.

Another important development has been the creation of a super-trade zone in the city of Chungking, second capital of Sichuan, China's most populated province. The city has been given extraordinary privileges to deal directly with foreign investors, to trade with firms abroad without passing through either the provincial authorities or the relevant

ministries and, most important, to be directly responsible to the State Council for its foreign economic relations.

The major reason the city was chosen appears to be the fact that Sichuan is the old stamping ground both of Deng and Premier Zhao Ziyang, chief exponent of the open-door policy.

To back up these kind of developments the leadership has also sought to put some order into the state economic hierarchy. The Ministry of Foreign Economic Relations and Trade (MFERT), first created in 1982 with the aim of consolidating two ministries and providing greater central leadership in foreign investment and trade, has been slowly asserting its authority.

Foreign technology

For instance MFERT's technology import-export department plays a key role in the approval of foreign technology. There is a need for such a coordinating role since the proliferation of provincial and city export-import organisations competing not only with each other but also with the ministries still functioning in the field of foreign trade at national level.

China has also sought to flesh out its existing laws to reassure foreign trading partners. These are more fully discussed elsewhere in this survey. However, they include details of the joint venture law first passed in 1979 and legislation covering company registration, labour management, SEZs, foreign enterprise taxation, exchange control, offshore oil and marine environment protection. A patent law and foreign contract regulations are on the point of being released.

added to earlier this year when China established its own Central Bank by giving the People's Bank of China that status. This was done in two stages.

First the Bank's nationwide branches were organised into the new Industrial and Commercial Bank, in charge of the country's day-to-day banking business. Then the Bank was given authority to perform all the usual functions of a central bank such as issue currency, set credit ceilings and act as the state's treasury.

Quite what effect the new superbank will have on China's economic management and its relation with foreign countries, if any, remains unclear. The Bank of China, for instance, appears to retain responsibility for foreign trade, relations with foreign countries and international organisations and so on.

The result of all this reform is that China, today, is a much more complicated place to do business in than it has ever been. There are now dozens, possibly, hundreds of enterprises, ministries, cities, and states or local agencies allowed to do business with foreigners.

As a result foreigners can now do business directly (at least in theory) with agencies operating at several levels. These include national foreign trade corporations, such as the Import-Export Corporation (Equimex), which operate under individual ministries; the more amorphous cross-

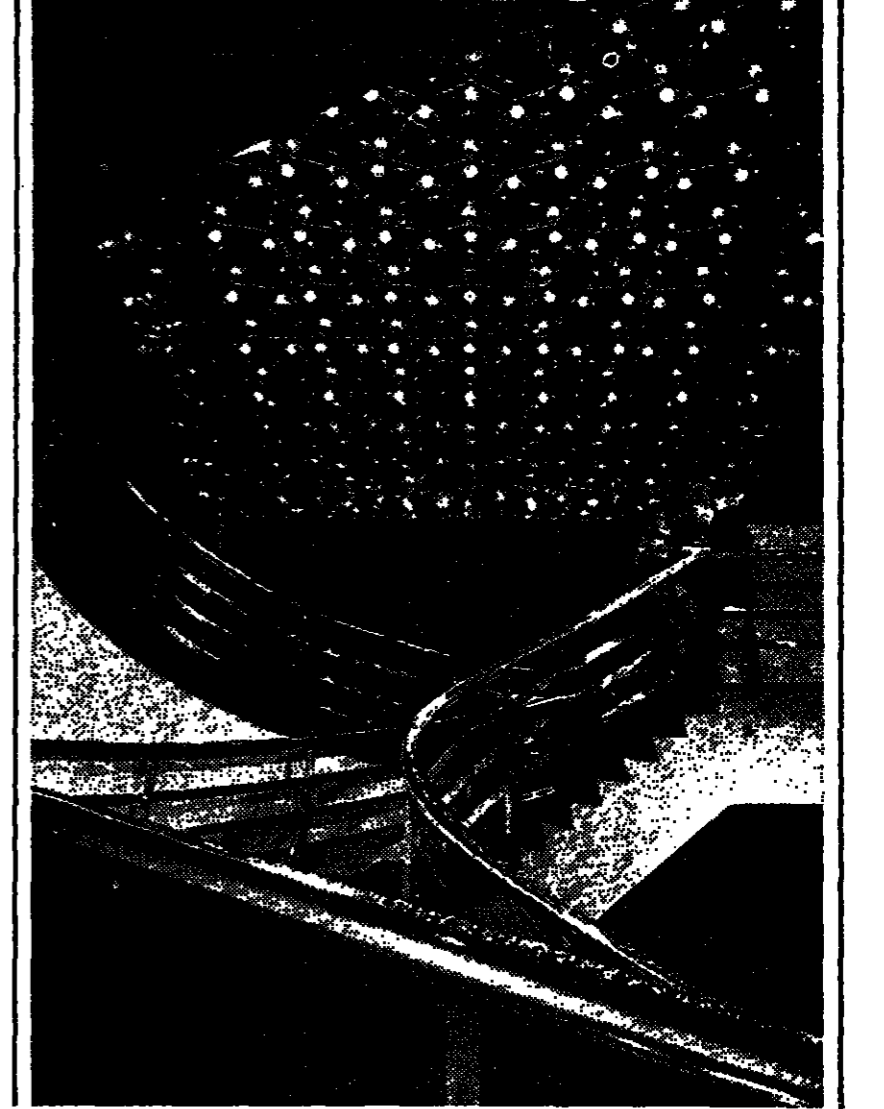
ministerial bodies such as the China National Petrochemical Corporation (Sinopec), which has jurisdiction over 89 petrochemical industrial complexes and answers directly to the State Council; national corporations, such as the Porcelain Insulators Joint Export Corporation, which only have authority to export; regional or local corporations, such as the China Nanyang Radio company; the provinces themselves and the new open cities.

Decentralisation

Despite the apparent benefits of this decentralisation trading is not as simple as it may sound. In practice it is not clear exactly who among this plethora of new bodies has authority to trade or authorise foreign investment.

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3. Material: High quality lubricating oils with good performance characteristics can be formulated from these base stocks with proper dosage of suitable additives.
4. General: Test items or limits prescribed in these specifications may be modified on the basis of agreement between the supplier and the purchaser as required by the latter.
5. Detailed requirements



Table with 10 columns: Test items, Viscosity Grade (P50N, 1000N, 1500N, 2000N, 3500N, 5000N, 8000N, 150 BS), and Test Methods (Visual, Viscosity, etc.).

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Regions

CHINA 11

Technocrat at the top in Shanghai

MR. BRUN CHONGWA, Shanghai's senior vice-mayor in charge of the economy, is a former diplomat and looks the part. He spent four years in Bonn as scientific and technical counsellor at the Chinese Embassy, speaks fluent English and is expected to take over when the present mayor retires.

Elegantly clad in a pale grey suit, with years of experience in a Shanghai factory, he is one of China's up-and-coming young technocrats. He ably defends the city against criticisms that it has been slow to sign up deals with foreign investors and modernise its economy.

"We've got \$450m spread over about 25 enterprises so far," he says. "Four of these are pretty large—Pilkington, Volkswagen, McDonnell Douglas and Belgian Bell. They're worth \$225m.

"I know Shanghai is slow compared to the special economic zones, but 90 per cent of our revenue goes to the central government in Peking, while the Special Economic Zones pay no taxes. Shanghai contributes one-sixth of the national budget—that's so vital to the rest of China that we must be cautious in making changes. Look deeper for reasons why the central committee has decided to give Shanghai more flexibility and we're holding a meeting soon to take decisions. We've got two special development zones, Minhang and Hongqiao, and we badly need new hotels. Shanghai gets 4,000 business visitors a year.

Foreigners living in Shanghai agree that it has severe financial problems but look deeper for reasons why modernisation is slow. "Shanghai's been ahead for so long, officials have grown arrogant," some say. "There are very strong attachments to the industrial bureaucracy."

There are also the usual official conflicts of interest. "If the economic construction office says it's setting up three fish farms, the economic restructuring office says, 'Don't let the peasants fish. Let them plant sorghum.'"

The neighbouring province of Jiangsu has now overtaken Shanghai in output, and foreigners who have given up on Shanghai are putting their money there instead. In the years 1982-84 the city allocated \$100 million of foreign exchange by Peking but they're far short of spending it. This is some indication of the speed of devaluation.

"We have plans to modernise the roads with five new highways over the next five years," says Vice Mayor Ryan. "We also want to up housing construction by about 25 per cent. We're short of power, and plan a 1,000 MW plant near the Yangtze, plus an additional 820 MW at an existing power station. By 1990 we should have our 300 MW nuclear plant at Qin Shan on stream."

This sounds good but will it materialise? "Don't think Shanghai people are lazy," says Mr Ryan. "They're just thorough, like the Germans. When they make an agreement, they stick to it. And don't forget Hong Kong's richest millionaires are from Shanghai."

Colina MacDougall



LEFT: New berths being built at Shanghai's No. 9 port. RIGHT: View of the city looking towards the Huang Pu river.

Farmer on the way up

HE WAS a thin, shy lad of 21, minding the cows while his father was out. The floor of the ramshackle house was beaten earth. The family's sparse goods were in one room, the cows were in the other. The living quarters had an old cupboard, a table, a chair—and a ladder up to the cock loft where the family slept. "We only have meat a couple of times a month," said the youth. "We're saving our money to pay for our new house."

This was the reality of the new "responsibility system" in poor north-western China. With six dependents, Xie Hong's father had been in constant debt before the system was cautiously instituted in 1979. Now that he keeps cows, he's rated by the commune management (they still call them com-

munes in Shaanxi) as one of their richest members. But although he's able to build a decent home at last, paying for it has meant that he can't yet afford anything else, even a better diet.

Production brigade

Xie Hong lives in Daminggong, in the suburbs of Xian, capital of the province and itself a city of 5m inhabitants. Ironically, the production brigade lies close to the site of the palace of the first Tang emperor, probably China's greatest ruler. The brigade's proximity to the city should make it one of the most prosperous in the province, and perhaps it is. But this greater wealth still must be seen in the context of the decades, if not

centuries, of grinding poverty that preceded it.

Xie Hong's family have five cows, and sell the milk to food processing factories in Xian. They earned Yuan 10,000 (\$3,900) this way last year, but one cow died and the motorcycle they bought to deliver the milk with was too small to carry the churns. The new house is costing Yuan 15,000 to build (it will have six rooms), compared with the Yuan 14,000 they hope to earn this year. When the house is finished, though, the family can double the number of its cows by using the old house as additional barn space.

The responsibility system has meant a vast improvement in the family's standard of living, but from an abysmal level. Xie Hong's father was lucky since

he had a skill (he had worked with the commune's cows and had learned how to raise milk output and keep them fit).

The commune management is anxiously looking for projects to employ other farmers to boost their incomes. They already have a fair number spread over their 18,000 members, but they must have more to keep up the pace of expansion. "None of us has relatives in Hong Kong," said office director Wang Chuzhuang with a touch of sadness. "But we do know someone who has a contact in Foshan, the native place of thousands of Overseas Chinese. That's how we got the polyester wadding plant we recently started. Any foreigner is welcome to invest here—just ask them to come and see us."

Bumper harvests boost exports

Agriculture COLINA MACDOUGALL

FOR PROBABLY the first time in living memory, China has a grain surplus. Last year the Chinese claimed an output of 387m tons, and, according to U.S. Department of Agriculture officials in Peking, this year the total may be repeated.

This is reflected in the bulging free markets and rising standard of living throughout China. The markets bulge rather less in the North and West than in the warm, wet river lands of Central, South, and South-West China, but even there food is more plentiful than in the past.

One striking feature of the farming scene has been China's surplus of corn. Jilin province, in north-east China, last year had a bumper crop, and contrary to all previous Chinese practice was allowed to export it.

In consequence this year 1m tons of corn have been sold to the Soviet Union, South Korea, Japan and Hong Kong, U.S. officials say. This is not the first time in recent years that China has sold grain, since rice is regularly exported from the south, but it carries much greater significance.

China's rice crop, at around 160m tons a year, is huge. Its exports are normally less than 1 per cent of that.

—They are usually seen as helping to pay for China's big wheat imports. Corn, on the other hand, has been the staple diet of numerous poor peasants



Making a big splash with irrigation of vegetable fields near Canton.

in North China until a year or two ago.

Wheat output has increased dramatically with rises of 15 per cent and in 1982 and 19 per cent in 1983. The forecast for this year is for a crop of 85m tons, compared to 81.4m tons last year. This, plus rising peasant incomes, has given poor North China farmers the chance to eat wheat, which they much prefer.

The surplus crop is proving a problem for the Government. Peking has to buy it from the peasants at the high prices instituted in 1979 to provide incentives to produce.

The livestock business is not sufficiently developed for grain to be used in animal feed, so China has resorted to the normal prohibition on provincial exports abroad. Even cross-country transfers, which were previously forbidden (strict local self-sufficiency has been the policy) are currently allowed. This should benefit the traditionally hard-up areas.

Political reason

The grain surplus is not likely to affect wheat imports. Last year these touched 10.9m tons (though imports from the U.S. were down for political reasons, the Chinese bought more elsewhere) and are likely to be over 10m again this year. Peking sees these imports as a convenient way to supply the huge cities of the Eastern Seaboard, rather than burden an overstrained rail network still further.

Success enjoyed in the grain crop has been repeated in oilseeds, soya and some cash crops. Until the early 1980s, China was a net importer of these commodities. It is this year expected to export over 1m tons apiece of oilseeds and soyabeans and 200,000 tons of cotton.

The cotton export is particularly striking since in 1982 China imported 210,000 tons and as recently as 1980 bought nearly 780,000 tons. There are four good reasons why farming has taken off in the last three years. One is consistent good weather, an essential for implementing any

rural policy successfully. Another is the much increased availability of fertiliser, produced by new plants which have recently come into production. The third is the 1979 rise in commodity prices, varying from 15 per cent to as much as 50 per cent, which the Government pays to the farmers.

The fourth is Deng Xiaoping's "responsibility system" and the dissolution of the communes. Between them, U.S. officials calculate, these factors have brought astonishing increases in yields. If Chinese statistics are correct (sometimes doubtful as political factors can influence them), the cotton yield is the highest in the world, wheat output is second only to the European Community, and rice output second only to that of the U.S.

Under the "responsibility system", since 1979 the peasants have been progressively allowed to operate in small groups or as single households. Last year it was announced that the commune organisations would be disbanded, splitting the administrative functions off from the economic ones. This meant reverting to the purpose.

The business side of dealing with a mass of individual farmers and providing facilities such as transport and marketing was to be handled by new companies set up for old township system, which used to run local government. Some households have been allowed to opt out of grain production altogether, and specialise in raising livestock or flowers, like Mr Xie in Xian or Mr Huang outside Canton. Some run small businesses, and in a number of cases small businesses have grown to be huge.

Three years ago the communes began dividing up the land among the household, giving each a three-year contract to farm it. Under this system, families sign up to produce a certain quota and any surplus they can keep or sell. The division of land appears to have been done without acrimony. "We compensate in

the size of the quotas for any disadvantage," said Mr Huang, Deputy Director of Chen Chu administrative district outside Canton.

While the responsibility system went slowly at first as families adjusted to the idea of greater freedom but also greater risks, production rocketed and people soon realised the benefits. But some farmers slackened off last year when they saw their 3-year contracts coming to an end. They were reluctant to expend much effort or waste fertiliser on land they might not get in the next distribution.

Rural work

To alleviate this problem Peking published a directive at the beginning of this year, the Central Committee No. 1 circular on rural work, which set out the next round of policy changes and a long-term view of how to run the countryside.

This pressed for a land contract period longer than 15 years to give farmers a chance to develop the land and reap the benefit themselves. It also indicated that more facilities for the peasant-producer—help in marketing, for instance, should be provided.

The document also set out future goals which clarified Peking's thinking on how the standard of living in the vast rural areas should be improved. In the long-term, the leadership, it said, plans to reduce the actual farming population to only about 40 per cent, living the rest off into sidelines like animal husbandry, fish cultivation or small industry. "The gradual concentration of land among efficient farming families should be encouraged," it said.

Such forward planning, hitherto rare in Peking, gives hope that eventually all China's 800m rural population will attain a decent standard of living. Some local officials oppose the policies for political reasons. But "the policies' popularity with the peasants suggests they will carry the day."

C. MacD.

The 1984 China Update Conference CONFERENCE PROGRAMME 14th November, 1984. Includes opening remarks, keynote speeches, case studies, and registration information.

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# Edging towards a repeat of former glories

"I AM not one of your modern cadres," said bluff vice-governor of Shaanxi province Zhang Bin. "I do not have a diploma from a university. I fought with the New Fourth Army in Jiangsu in the Liberation War."

Appropriately, he was speaking in the red and gold reception hall in Xian where in 1936 Mao, Zhou Enlai and Chang Kaishek negotiated a famous compromise in the civil war.

Grizzled and bulky, 59-year-old Mr Zhang is in charge of the economy of Shaanxi, one of China's poorest and most remote provinces. Previously he ran the planning office and has spent nearly 20 years in the province. He was defensive about Shaanxi's lack of progress compared with "those coastal cities," as he disparagingly calls them.

"Our transport is not good, we lack investment in capital construction and our natural conditions are poor." The province has no town of national importance except Xian and until very recently the peasants lived in grinding poverty, victims of overpopulated land and a climate which alternates between drought and flashfloods.

He might also have added that the province's economy had been the target of more than usually catastrophic mismanagement, and even now appeared to be dragging its feet in implementing Deng Xiaoping's economic flexibility which has brought dramatic increases in prosperity elsewhere.

On the streets of Xian the air of conservatism is enhanced by the dark blue jackets and straight hair of the girls, young officials show wide-eyed ignorance of *di si ke*—disco dancing, common in Canton. Sedate ballroom dancing is allowed at "dance parties," provided "no primary school, middle school or foreigners" are admitted and a halt is called at 10.30 pm.

In the past the province fled to solve its economic problems despite massive investment by Peking.

said "We aren't allowed to use the responsibility system (Deng's reform under which permission to produce more and make profits acts as an incentive to efficiency). We can pay bonuses for quality, but we must stick to our quotas as we belong to the Ministry of Machinery."

In the countryside, in striking contrast to Guangdong, the rural "responsibility system" (where peasants contract with the local authority to produce quotas and may keep the surplus) has only been partially carried out. The name "commune," which has been abandoned in Guangdong,

and white televisions." That would be commonplace in many other provinces, where many have colour.

Nevertheless, like other inland provinces, Shaanxi is now jumping on the foreign co-operation bandwagon. On December 1 at an international meeting in Xian, 300 projects will be announced for foreign participation, Mr Zhang said. Terms will be easier than elsewhere as Xian plans to charge less for land.

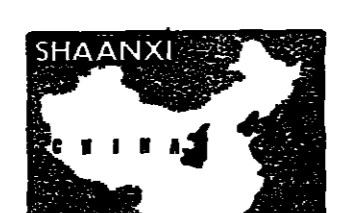
"We've already got a colour TV tube plant working with Japanese co-operation. We've learned a lot of technical and management knowhow from them. We've got a new hotel, the Hianhua, due to open next year, through a joint venture with the U.S., and we're working with a Belgian company on pharmaceuticals and a Japanese group on measuring instruments."

We're talking with American, French and Swiss companies on coal mining and light industry. Peking wants to make Xian an international airport, but we'll need to build one big enough for 747s. That'll be at Xianyang, long airstrip where President Reagan landed last spring on his visit to the Qin dynasty terracotta soldiers. But this airstrip belongs to the military aircraft plant outside the town.

Xian was the capital of China for a thousand years and in the great days of the Tang dynasty supported a population of 1m, many of them artists, writers and merchants. It was the scene of some of the most romantic episodes in Chinese history. While the modern city is drab, it contains exquisite buildings and artefacts from the Western Zhou (around 1,000 B.C.) onwards.

In Tang times, Xian, as the start of the Silk Road, was open to the world," said vice-governor Zhang, unhesitatingly justifying the modern open door policy with a historical parallel. "Foreigners lived here in large numbers" (8th century Arab traders built a splendid mosque which still stands). "When we improve transport and conditions, we should be able to repeat that success."

Colina MacDougall



One of the country's poorest provinces lagging behind in economic flexibility



Chinese army commanders on patrol along the border with Vietnam. Peking views stability in the area as vital and has been increasing state benefits to Yunnan's inhabitants

# Tangible support to remote outpost

THE JI NO tribe live on China's outer rim, in the remote southern province of Yunnan where the long arm of the Communist Party has to extend its fingertips to reach them.

They live a primitive life in thatched huts with mud floors leading their pigs and roaming the surrounding tropical rain forests in search of game. They shoot elephants, tigers and leopards—until quite recently using mainly bows and arrows with poison tips—worship the elements and practice ancestral marriage rites which the men in Peking frown on but tolerate with new-found liberalism.

In the past six years the Ji No have also been the recipients of more tangible state benefits which, until a few decades ago, made no impression on their lives—telephones, doctors, a school, subsidised food and a two-storey party headquarters, looming incongruously over the thatched huts. The rumble of heavy trucks bringing supplies from Kunming, the provincial capital of Yunnan, or heading along the dirt tracks which lead to the Laotian border, punctuate the jungle sounds which reverberate in the lush valleys of this remote corner of the Chinese empire.

The reason for the party's tolerance is simple. The Ji No live in a mountain redoubt less than 50 miles from China's sensitive border where Vietnamese troops are said to patrol and, occasionally, make incursions into Chinese territory. Yunnan itself has over 3,000 miles of common border with Laos, Vietnam and Burma and encompasses 24 officially designated minorities, many of which have kinship ties with tribes across the border.

Yunnan itself has over 3,000 miles of common border with Laos, Vietnam and Burma and encompasses 24 officially designated minorities, many of which have kinship ties with tribes across the border.

"Stability of the border areas, and therefore, the stability of our country, has much to do with the contentment of our minorities," explained one official. "If our minorities were not satisfied then there would be no guarantee that the area would be stable."

The Chinese, in fact, claim that Laos, prodded by Vietnam, China's historic rival in the area, has been systematically destabilising the border areas. An official in Simao, a strategically placed town close to all three borders, claimed both Laos and Vietnam have closed their borders with China, putting a stop to the traditional ebb and flow of migrants.

The Chinese also claim that the pro-Hanoi Laotian government has encouraged the flow of drugs from south-east Asia's "Golden Triangle," into Yunnan province. The Chinese Government has responded to these alleged provocations by heavily fortifying its border areas and taking very strict measures against drug dealers. "Before Liberation (in 1949)," said the official, "a great deal of opium was grown and smoked in the area. But we have taken very harsh measures to stop the trade and since 1953 it's been virtually

wiped out. A little gets through but our measures are so harsh that most people are deterred."

The minorities of China, so badly treated during the Cultural Revolution and under the Gang of Four, are now being given special treatment to keep them happy.

In Yunnan a major effort is being made to raise their level of education. Students in the province from the minorities have now reached 1.5m. Fifteen per cent of college students are from the minorities though this compares unfavourably with the population ratio which is one minority to every three Chinese or Han.

Minorities are, by and large, exempt from the strict one child per family dictum. On a



Southern border territory where stability is seen as essential

political level more jobs are going to members of ethnic minorities. Freedom of religion is tolerated again after the brutal repression of the Cultural Revolution.

The mosque in Kunming, for example, desecrated by Red Guards in the 1970s, has just been given a Yuan 50,000 (\$19,470) face-lift. Regular, daily readings of the Koran are held in its intricately carved shrine and Arabic is, once again, heard in the streets around the mosque.

But there are limits to this new-found tolerance. The subject of religion, for example, is avoided in state schools. In fact, much to the chagrin of Yunnan's devoutly Muslim population, children are taught Marxist truths—"We tell them that there is no God. We have freedom of propaganda," said one official. "You can argue for or against God. We argue against."

Another area of friction is the army where virtually all the senior jobs are held by members of the majority Han (or Chinese) nationality. There are clear limits beyond which Peking will not go in relinquishing the levers of power in favour of appeasing the country's minorities.

In time it seems likely that China's minorities in sensitive border regions such as Yunnan will be assimilated and, eventually won over. The new, liberal economic policies have


helped smooth the path considerably. The majority of the Yunnan's minorities are farmers and have, therefore, benefited from the thousands of free markets where they can sell their produce.

The annual per capita income of Ji No tribesmen has according to the party, risen to over Yuan 350—close to the national average. Even if this is an "official truth" there is ample evidence of new wealth in these remote areas—a wireless blaring from a mud hut, a new rifle hung over a farmer's shoulder, a new school satchel around a child's waist.

In the bigger towns, such as Simao, and Kunming, the evidence of self-improvement is even more dramatic. The streets are full of shoppers. The shops are packed with goods and, food is abundant. The spectre of starvation which haunted China before Liberation has all but vanished. Occasionally one sees a child with a belly distended from hunger in the remote hills of Yunnan but it is a rare sight.

Friction between the Han and China's ethnic minorities who regard the "men from the north" as interlopers is bound to remain a potent factor. But a combination of careful political management and economic growth are making things that much easier.

Alan Cass



## Native Produce and Animal By-Products from Heilongjiang

Heilongjiang, a beautiful province of China with fertile lands, is abundant in non-staple produce, native produce and animal by-products. Available for export are almost 200 items, including:

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- Preserved Foods: honey, pumpkin seeds, black fungus, wild vegetables, salted wild mushrooms, various kinds of cultivated mushrooms such as Yuhuang mushrooms, oyster mushrooms and dried fungus.
- Feedstuffs: soybean cakes, soybean expellers, maize embryo meal, sun flower seeds cakes, soybean cake expellers, flax seeds cakes, wheat bran and beet cakes.
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- Oilseeds: castor seed, sunflower seed, hemp seed and perilla seed.
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- Wild Vegetables: salted bracken and dried osmund.
- Meats: frozen boneless beef parts, boneless mutton, mutton with bone, horse meat, rabbit, duck, geese and broilers and live cattle.
- Wild Game: frozen pheasants, hazel grouse, rice birds, deer meat, roe deer meat and wild boar meat.
- Hong Mei Brand Confections: royal jelly drops, black currant candies, rock candies, milk candies, toffees and peppermints.
- Hong Mei Brand Wines: wild grape wine, Chinese port wine and Chinese Yuchuan Chiew.
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